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TRADERS
GROUP LIMITED

53RD ANNUAL REPORT 1973

TRADERS GROUP LIMITED

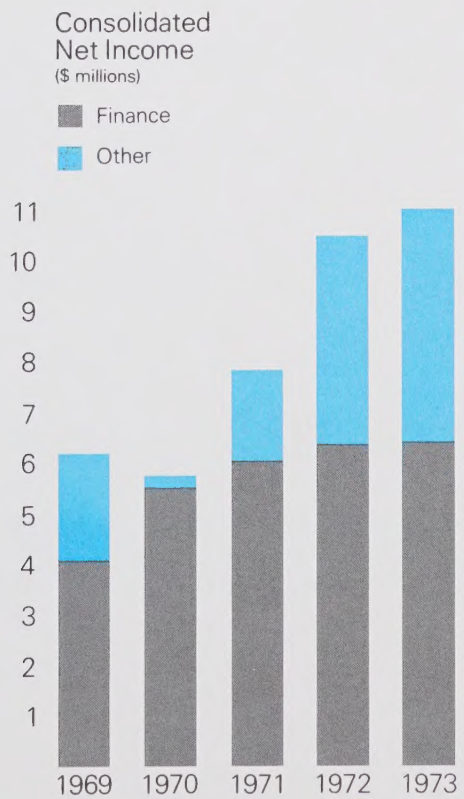
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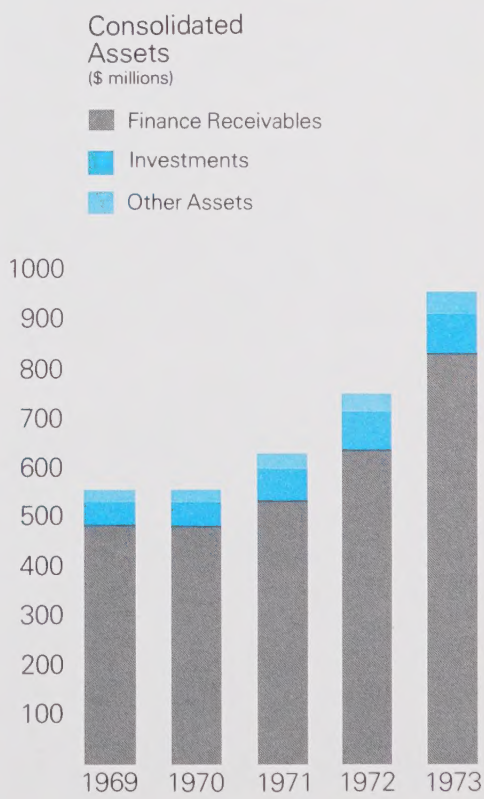
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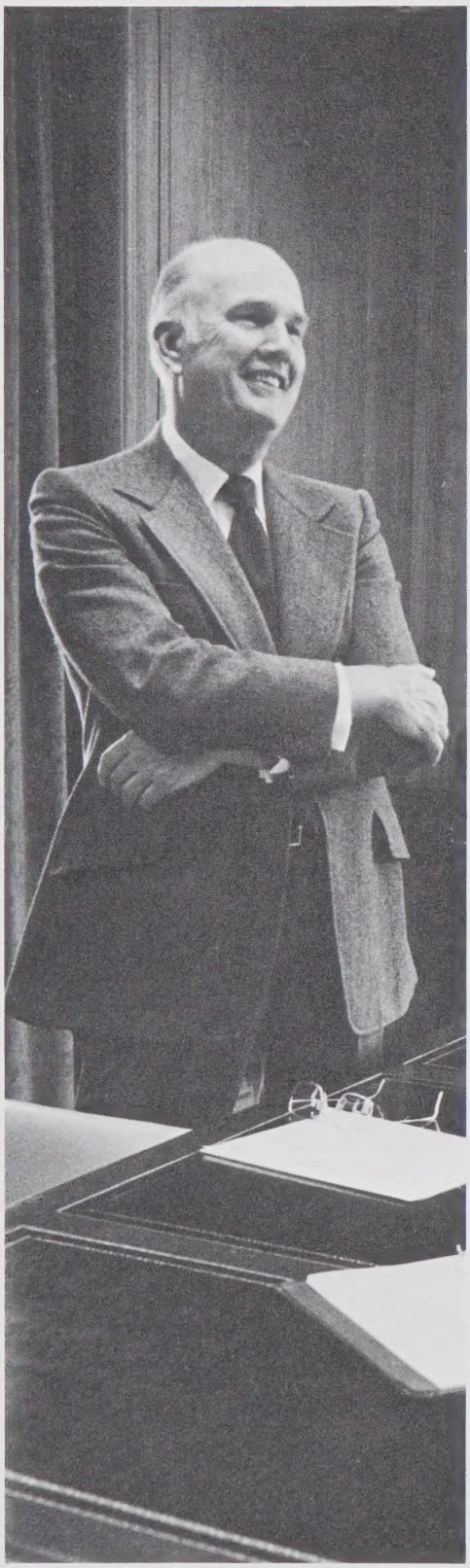
Highlights

OPERATIONS ($000's)	1973	1972	% increase (decrease)
During the year			
Finance receivables acquired	**$1,362,259**	$1,083,318	25.7%
Insurance premiums earned	**32,077**	30,368	5.6
At year end			
Finance receivables outstanding	**828,814**	630,081	31.5
Life insurance in force	**102,985**	120,331	(14.4)
Trust assets under administration	**$1,532,800**	$1,344,793	14.0%
INCOME ($000's)			
Net income by source			
Finance	**$ 6,470**	$ 6,450	0.3%
Land Development	**1,537**	843	82.3
Canadian General Insurance Group	**1,760**	1,201	46.5
Guaranty Trust	**1,448**	2,100	(31.0)
	11,215	10,594	5.9
Dividends on preferred shares	**843**	879	—
Earnings available for common shares	**10,372**	9,715	6.8
Extraordinary items	**953**	—	—
Earnings after extraordinary items	**$ 11,325**	$ 9,715	16.6%
PER SHARE DATA (dollars)			
Net income by source			
Finance	**$ 1.29**	$ 1.34	(3.7)%
Land Development	**0.31**	0.17	82.4
Canadian General Insurance Group	**0.35**	0.25	40.0
Guaranty Trust	**0.29**	0.43	(32.6)
Earnings per common share			
Before extraordinary items	**2.07**	2.01	3.0
After extraordinary items	**2.26**	2.01	12.4
Common dividends–Declared	**0.90**	0.75	20.0
–Paid	**$ 0.85**	$ 0.82½	3.0%





President's Report to Shareholders



Traders Group Limited increased its profit to a record high in 1973. Earnings available to common shareholders were $10,372,000 or $2.07 per share, before extraordinary items, compared with $9,715,000 or $2.01 per share in 1972.

This improvement was accomplished despite a rapid gain in the cost of money, particularly in the second half of the year. The Bank of Canada rate, for example, had been 4.75% for more than a year but it began to rise in the second quarter. By year end it was 7.25%, having registered five increases.

There is always a drag effect on yields in the finance business when cost of money goes up. Traders wrote new business in 1973 at higher rates within competitive constraints. But existing business, at lower rates, takes time to liquidate.

Traders personal financial services are offered within the sales finance and personal loan divisions. These divisions increased outstandings substantially and contributed satisfactorily to profits.

The marketing restructuring announced in 1971 was strengthened. The various portfolios and services for industry and commerce were brought together under the banner Traders Business Financial Services.

These services include corporate loans, equipment financing, leasing, commercial mortgages, land development, and Traders factoring and accounts receivable financing subsidiary, Aetna Factors Corporation Ltd.

Business Financial Services increased its new business, its outstandings and its contribution to profit.

Aetna Factors had an outstanding year, with net profit reaching a record level of $671,000.

Traders announced the sale last year of an interest in Aetna Factors to The Royal Bank of Canada. The initial purchase of shares accounted for substantially all of the extraordinary gain of $953,000 or 19 cents per share in 1973. The Royal took down the same amount of shares early this year and will complete the transaction in two additional, equal instalments by January, 1976. Traders will then hold a 60% interest in Aetna.

The international operations had a most satisfactory year in 1973, its first full year. Traders Finance S.A. developed and closed several transactions and made a profit contribution, against a projected first-year loss.

In all finance portfolios, outstandings increased and this helped to offset the adverse effect on profit of higher money costs.

As a reflection of the continuing high quality of receivables, credit losses as a percentage of receivables decreased compared with the previous year.

Canadian General Insurance Group showed significant improvements during 1973.

Net profit increased by 46% to $1,760,000 but we recognize certain adverse factors at work within the general insurance industry as a whole.

Throughout the industry, automobile claims increased toward year end and the upward trend has continued into 1974. An important factor is the impact of inflation on automobile repairs.

The British Columbia government entered the general insurance field last year. Apart from claims and service offices, private carriers have largely withdrawn from that province.

Henry E. Dynes
President and Chief Executive Officer

These companies are now seeking to replace business lost in British Columbia by increasing their business in other markets. This has resulted in rate cutting at a time when rate increases would be more than justified.

General insurance business, therefore, cannot be expected to maintain the excellent results of the past few years, until the unsettled conditions stabilize.

During 1973, the name of Income Disability and Reinsurance Company of Canada was changed to Canadian General Life Insurance Company to permit closer identification with the Canadian General Insurance Group. Canadian General Life again improved its profit contribution.

An important development in 1973 was Traders acquisition of a majority interest in Guaranty Trust Company of Canada.

In December, Traders acquired 346,000 shares, increasing its holdings to 50.6% in the trust company.

Even before acquisition of majority control, Traders and Guaranty Trust co-operated closely. This advantage will be further enhanced in the future.

Guaranty Trust contributed $1,448,000 to Traders profit in 1973, compared with $2,100,000 in the previous year. The decline was largely a result of the dramatic rise in interest rates.

At the last annual meeting, two new directors were elected. We welcome John C. Lockwood, President of Lever Brothers Limited, and Donald A. McIntosh, Q.C., a partner in the Toronto law firm of Fraser & Beatty.

One of Traders major assets, which does not appear on the balance sheet, is its employees.

The average age of branch managers is less than 38 years, while at the same time, they have, on average, more than 15 years of finance experience.

Among the operating officers, the average age is less than 50 years and the average experience in the industry exceeds 19 years.

Traders thus has within its management group an excellent blending of ages and the seasoned experience so essential to proper credit assessment and administration.

A noteworthy example of the competence of both the staff and line organizations was the implementation in 1973 of a common accounting and management information system for all portfolios.

Each branch has an on-line terminal giving direct access to the head office computer.

Economic predictions are always risky undertakings. There have been very few years when this was more evident than in 1973.

While we cannot predict the future, we can analyze the past and, in analyzing 1973, one realizes the possibility that the world may have entered a new phase.

After two centuries of industrialization, world attention has suddenly shifted back to the basics of fuel and food.

World monetary arrangements have been under strain for an extended period. In 1973 further instabilities developed and the system will be under additional stresses as nations strive to meet massive increases in oil payments.

Canada is in a relatively strong position. Our existing and potential energy and food resources are enviable. The use and control of these resources will have to be resolved by wise policies of Canadian governments.

Our obsession with foreign ownership must move from its concentration on American investment to a much broader focus.

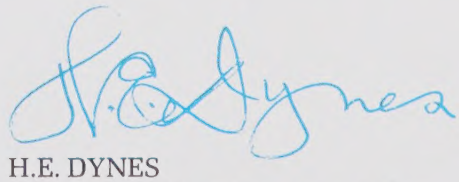
We are beginning to experience an historically high inflow of capital, which could pose foreign exchange and export problems unless it is properly handled.

The Canadian economy will grow more slowly in 1974, in all likelihood, and will continue to be troubled by the urgent problems of inflation.

Although Traders high rate of profit growth in recent years slowed in 1973, profit did increase. Outstandings gained substantially, while traditional high quality of outstandings was maintained.

Having dwelt at some length on the adverse effect of sudden upward adjustments in money costs, it follows that downward movements in money costs have a beneficial effect on profit.

While a downturn in money rates has not occurred so far in 1974, any such reduction, should it occur in the second half, would have a favourable impact on 1974 profit.



H.E. DYNES
President & Chief Executive Officer.
May 1, 1974

Directors

G. R. CHATER
President
Grafton Group Limited

S. C. COOPER, B.A. Sc., P.Eng.
President and General Manager
C. A. Pitts Engineering
Construction Limited

H. N. CRAWFORD
Senior Vice President
Traders Group Limited

H. E. DYNES
President and Chief Executive Officer
Traders Group Limited

E. W. FLANAGAN
Senior Vice President
Traders Group Limited

R. O. HEDLIN
Economic Consultant

J. C. LOCKWOOD
President
Lever Brothers Limited

G. C. MacDONALD
President
McLeod, Young, Weir &
Company Limited

J. W. McCUTCHEON
Partner
Shibley, Righton & McCutcheon

D. A. McINTOSH, Q.C.
Partner
Fraser & Beatty

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Vice President
Canadian Corporate Management Co. Ltd.

H. C. RYNARD, B.A. Sc., P.Eng.
President
Acres Limited

A. SARLOS, C.A.
President
MerBan Capital Corporation Limited

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Chairman of the Board and
Chief Executive Officer
Guaranty Trust Company of Canada

R. L. SHEARD, F.I.B.
Chairman and Chief Executive Officer
General Appraisal of Canada Limited

D. I. WEBB, F.C.A.
Financial Consultant

Committees

EXECUTIVE COMMITTEE
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G. R. Chater
E. W. Flanagan
J. W. McCutcheon
B. H. Rieger
A. Sarlos, C.A.
G. R. Sharwood
R. L. Sheard, F.I.B.
D. I. Webb, F.C.A.

AUDIT COMMITTEE
R. L. Sheard, F.I.B., Chairman
G. R. Chater
S. C. Cooper, B.A. Sc., P. Eng.
H. E. Dynes
J. W. McCutcheon
A. Sarlos, C.A.

FINANCE COMMITTEE
G. C. Brain, Chairman
G. R. Chater
H. E. Dynes
J. W. McCutcheon
G. R. Sharwood
D. I. Webb, F.C.A.
L. C. Wright, C.A.

Officers

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Chairman of the Board

H. E. DYNES
President and
Chief Executive Officer

G. C. BRAIN
Senior Vice President
Finance

H. N. CRAWFORD
Senior Vice President
International Operations

E. W. FLANAGAN
Senior Vice President
Finance Group

L. C. WRIGHT, C.A.
Senior Vice President
Administration

J. J. BOURBONNIÈRE
Vice President
Sales Finance–East

E. J. CASTELANE
Vice President
Sales Finance–West

J. D. DERBYSHIRE
Vice President
Personal Loan

E. W. FINGARSON
Vice President
Credit

R. J. HEROLD
Vice President
Advertising and Public Relations

J. J. KEYSER
Vice President
Personnel and Organization

M. E. MURPHY
Vice President
Information Services

D. F. POLS, C.A.
Vice President and Controller

G. D. WALLACE
Vice President
Business Financial Services

G. E. WHITLEY
Vice President
Secretary and General Counsel

E. A. A. WIGHTON, C.A.
Treasurer

J. F. ELLIS
Assistant Treasurer and
Manager, Money Market

R. E. BETHELL
President
Canadian General Insurance Company

M. SUHL
President
Aetna Factors Corporation Ltd.

G. R. SHARWOOD
Chairman of the Board
Guaranty Trust Company of Canada

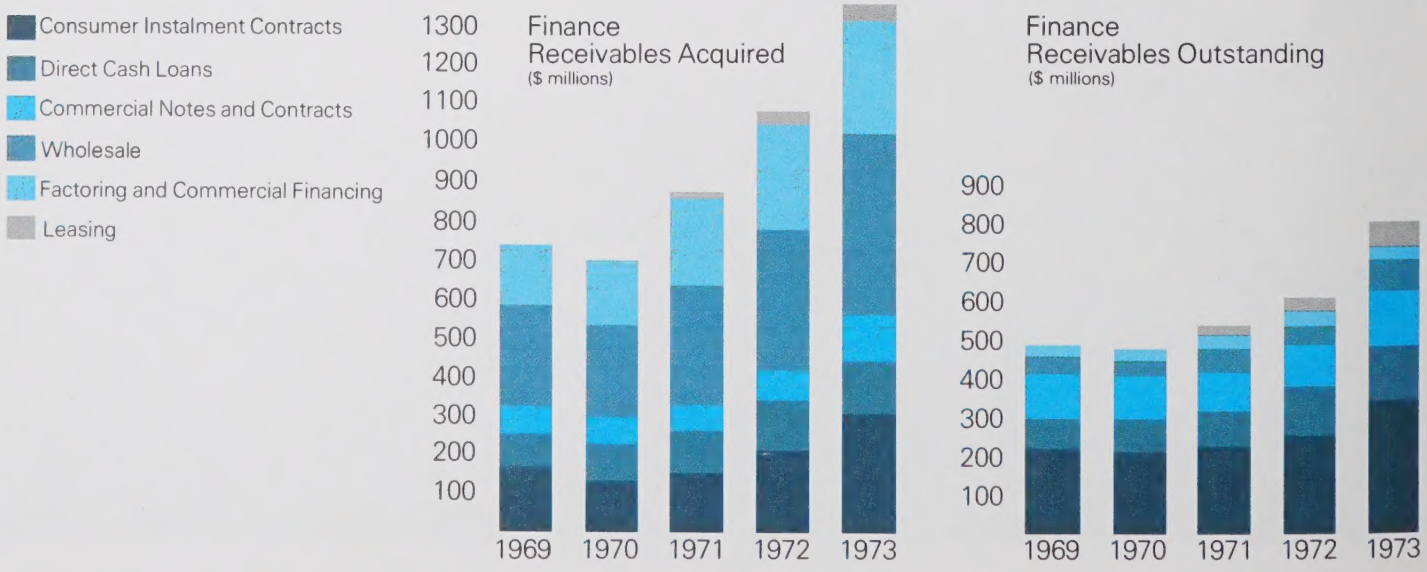
A. R. MARCHMENT
President
Guaranty Trust Company of Canada

Seated, left to right. G. R. Chater, Chairman of the Board
H. E. Dynes, President and Chief Executive Officer
E. W. Flanagan, Senior Vice President, Finance Group
Standing, left to right. L. C. Wright, Senior Vice President, Administration
G. C. Brain, Senior Vice President, Finance
H. N. Crawford, Senior Vice President, International Operations.



Finance Operations

	1973	1972	% increase (decrease)
SUMMARY OF RECEIVABLES ACQUIRED ($000's)			
Direct cash loans	**$ 137,389**	$ 131,424	4.5%
Consumer instalment contracts	**307,887**	210,252	46.4
Commercial notes and contracts	**119,425**	74,442	60.4
Leasing	**29,692**	31,702	(6.3)
Factoring and commercial financing	**301,974**	269,094	12.2
Wholesale	**459,456**	365,724	25.6
	$1,355,823	$1,082,638	25.2%
SUMMARY OF RECEIVABLES OUTSTANDING ($000's)			
Direct cash loans	**$ 139,258**	$ 124,916	11.5%
Consumer instalment contracts	**348,630**	256,669	35.8
Commercial notes and contracts	**139,099**	103,307	34.6
Leasing	**62,857**	37,528	67.5
Factoring and commercial financing	**40,294**	40,155	0.3
Wholesale	**93,061**	66,201	40.6
	$ 823,199	$ 628,776	30.9%
SUMMARY OF INCOME ($000's)			
Income earned	**$ 90,795**	$ 76,689	18.4%
Expenses			
Borrowing costs	**40,557**	30,904	31.2
Provision for credit losses	**4,992**	6,307	(20.8)
General and administrative	**32,230**	26,747	20.6
	77,779	63,958	21.6
Income before income taxes and minority interest	**13,016**	12,731	2.2
Net contribution to Traders	**$ 6,470**	$ 6,450	0.3%



Personal Financial Services



Sales Finance Divisions

These divisions offer a broad range of consumer purchase plans. They include financing for automobiles, mobile homes, recreational vehicles and other major consumer durables, and farm equipment. They also provide financing for dealer inventories, residential and vacation home mortgages, and home improvement loans.

Record consumer spending in 1973 created an increase in demand for these services. All major portfolios, including automobile, mobile home and residential mortgage, showed substantial increases in both business written and receivables outstanding. At the same time, credit losses declined, reflecting continued emphasis on quality of receivables.

Despite severe competition in the first half of 1973, and the escalating cost of money in the second half, both divisions improved their profit contribution over the previous year.

Supervision and marketing were further strengthened by the opening of a new zone office in Montreal.

In 1974 the energy question, no longer a crisis, is not expected to have a major impact on Canadian automobile sales.

Left to right; J. D. Derbyshire, Vice President, Personal Loan; J. J. Bourbonnière, Vice President, Sales Finance–East; E. J. Castelane, Vice President, Sales Finance–West.

Both divisions expect continued strong demand for their services.

It will be their objective in 1974 to consolidate the gains of the past several years. This will involve improving yields and profit margins, maintaining expense control, and continuing attention to the mix of portfolios.

Personal Loan Division

Operating under the name Trans Canada Credit Corporation Limited, this division offers secured and unsecured direct cash loans.

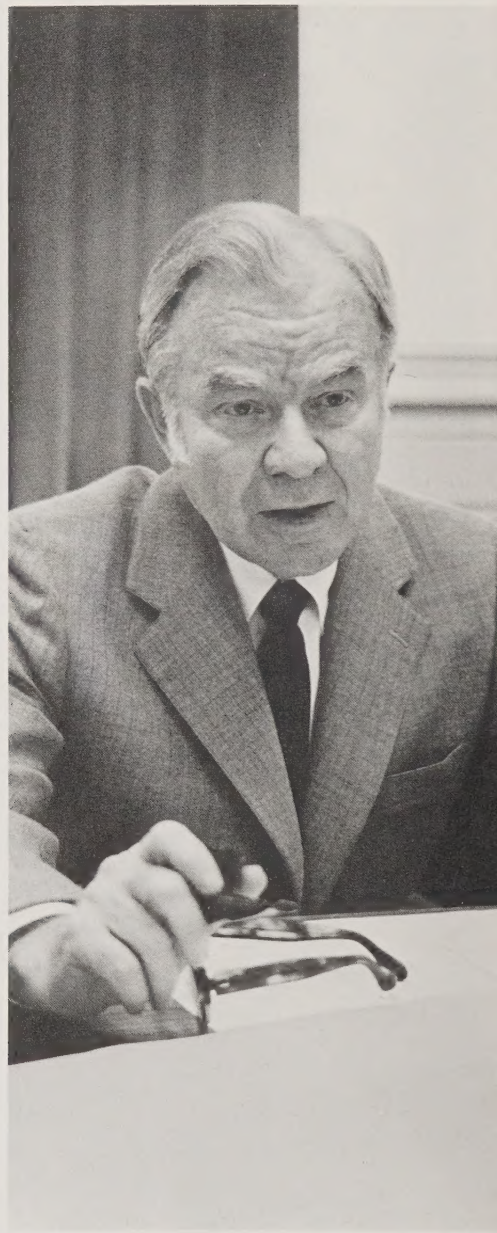
Satisfactory results were achieved in 1973. Outstandings increased by 14% and revenue by 13%.

The total number of customers increased in 1973. Outstandings in loans regulated under the Small Loans Act declined slightly, in line with industry experience. The larger loans, those in excess of $1,500, which are the major segment of the division's outstandings, continued to increase.

This division, which has the largest number of employees and branch locations, converted its branch operations from a hand posting system to an on-line computer terminal system in 1973.

While new branch openings were curtailed somewhat by the conversion, nevertheless, seven new branches and three regional supervisory offices were opened during the year.

A study is underway to identify unused capacity in the branch network. The study will explore future growth possibilities which can be achieved using the capabilities of the new system.



M. Suhl
President, Aetna Factors Corporation Ltd.

Business Financial Services



Left to right; W. J. Perkins, Assistant Vice President, Leasing
G. D. Wallace, Vice President, Business Financial Services
J. M. Waller, Assistant Vice President, Land Development

Traders services for the business and industrial community were brought together during 1973 under the banner Traders Business Financial Services.

This includes corporate loans, equipment financing, leasing, commercial mortgages, land development, factoring and accounts receivable financing.

Traders Business Financial Services' branch network includes 21 branch offices in key Canadian cities, and 49 district representatives.

This marketing team, together with their staff, conducts the company's equipment financing program for manufacturers, dealers and end users.

In addition, the team markets leasing, factoring and accounts receivable financing, and land development services for those specialized divisions.

Industrial and commercial equipment receivables increased while credit losses declined. The combination resulted in an increase in profit contribution.

Capital investment plans by business are on a firm uptrend and represent excellent growth potential for Traders.

Business Financial Services was organized to offer special services and financial packages. It will continue to develop and innovate, to satisfy demands for new methods of business financing within a growing economy.

Leasing Division

This division offers leasing services to business and industry for the acquisition of capital assets, including production, processing, construction and mining machinery. It also serves the transportation industry with leasing for aircraft, ships, rail and highway rolling stock.

The small, specialized division within Traders Business Financial Services, has two main methods of operation.

Corporate Leasing Division at head office, together with its regional representatives, directly negotiates leases covering larger capital assets for major Canadian corporations.

In addition, leasing services are marketed by the Business Financial Services' branch network, as a complement to normal equipment sales financing.

During 1973, the division expanded Traders business lending activity by offering intermediate and long-term business loans.

Lease receivables increased 67 % during the year, with commensurate improvement in profit contribution.

The number of leasing companies in Canada has nearly tripled in the past two years, including many foreign-owned corporations. Traders Leasing Division has nevertheless achieved its growth and profit objectives within this intensely competitive environment.

During 1974, the division anticipates selective growth in the expanding lease market. Its new business loans portfolio also holds potential for controlled growth.

Factoring Division

For Aetna Factors Corporation Ltd., Traders factoring, accounts receivable and export-import financing subsidiary, 1973 was a year of several achievements.

Volume of receivables processed reached a record $302 million, compared with $269 million a year earlier.

A record revenue level of $6.1 million was achieved, compared with $4.9 million in the previous year.

Profit reached $671,000, establishing another record. Profit a year earlier was $446,000.

During the year, there was a tightening of credit procedures and controls, while marketing activities were strengthened, resulting in the gains in volume, revenue and profit.

Most of the company's operations are now computerized and this should continue to strengthen internal efficiency and customer service.

The company's capital base was strengthened through the placement of $10 million in 5-year, subordinated notes with its two principal shareholders, Traders Group Limited and The Royal Bank of Canada.

Aetna Factors established a full time marketing team to explore and develop joint opportunities for new business with The Royal and other Canadian banks.

This program should significantly assist in penetrating the relatively undeveloped market that exists in Canada for factoring and related services and should further enhance Aetna's position as the industry leader.

International Operations

Traders Finance S.A. is the holding company for overseas business leasing and corporate financial services. The business is conducted by a small, professional staff which permits close personal attention to clients and control of operations.

During 1973, its first full year of operation, the division developed and closed several transactions. The largest segment of business written involved ship leasing and mortgages for tanker and dry-cargo vessels. The transactions included established, highly experienced participants and were supported by excellent collateral security and charter companies.

The shipping portfolio has been very satisfactory in terms of repayments, cash flow and profitability. Average maturity is less than four years.

The division made a noteworthy contribution to profit, in contrast to a projected first-year loss which would have been normal in a start-up situation.

The division looks to situations involving between $500,000 and $5,000,000. It is currently examining a variety of financing activities with a view to achieving a diversification in its portfolio.

During 1974, the division anticipates continued orderly growth and a corresponding increase in profit contribution.

Land Development Operations

Land Development Division

This division acquires raw land in the suburbs of metropolitan communities, develops and services the land and sells building units for homes, apartment buildings and shopping centres.

In addition to investments for land, significant sums are expended in engineering and design, for municipal levies and in electrical, water, sewage, roads and other services before selling ready-to-build lots.

In 1973, the division concentrated largely on developing and selling land from existing inventory in response to a strong market. Sales increased to 1,590 building units, nearly doubling sales of 1972. As a result, profit increased significantly. Net inventory of land declined by about 300 acres to 1,800 acres.

The division is negotiating to acquire additional land and is continuing its development program for land it already holds.

This year, branch operations will be established in Southwestern Ontario and in Edmonton. This will provide improved control and service in these areas, where Traders has concentrated land holdings.

The strong real estate market of 1973 is continuing into 1974. Demand remains buoyant in all areas where Traders has land inventory.

Summary of Assets and Liabilities

($000's)

	November 30 1973	November 30 1972
ASSETS		
Cash	$ 31	$ —
Mortgages receivable	5,649	1,374
Land inventory, at development cost	6,729	8,862
Investments in associated companies, at equity value	655	450
	$13,064	$10,686
LIABILITIES		
Payables	$ 975	$ 275
Bank loans	130	675
Mortgages payable	1,282	2,464
Income taxes (current and deferred)	1,108	172
Deferred gross margin on land sales	920	—
Advances from parent and associated companies	4,803	4,386
Traders investment, at equity value	3,846	2,714
	$13,064	$10,686

Summary Statement of Income

($000's)

	For the year ended November 30 1973	For the year ended November 30 1972
Income		
Land sales	$ 8,432	$ 1,311
Less—Deferral on gross margin	920	—
	7,512	1,311
Investments in associated companies	227	539
Other	159	373
	7,898	2,223
Expenses		
Cost of sales	4,850	896
General and administrative	179	167
	5,029	1,063
Income before income taxes	2,869	1,160
Income taxes	1,332	317
Net contribution to Traders	$ 1,537	$ 843

Canadian General Insurance Group

Summary of Assets and Liabilities
($000's)

	1973	1972
ASSETS		
Cash	**$ 3,166**	$ 3,182
Marketable securities, at cost (note)	**46,680**	43,617
Mortgages	**4,006**	3,431
Inter-group investments	**502**	502
Agents' balances	**5,062**	5,203
Other receivables	**1,761**	1,562
Fixed assets, at cost less depreciation	**2,266**	2,355
	$63,443	$59,852
LIABILITIES		
Payables	**$ 2,331**	$ 2,076
Claims in course of settlement	**25,984**	25,697
Mortgages payable	**969**	1,066
Income taxes (current and deferred)	**1,216**	712
Unearned insurance premiums	**13,948**	13,127
Minority interest	**702**	687
Traders investment, at equity value	**18,293**	16,487
	$63,443	$59,852
Note: Market value of securities		
Bonds	**$30,250**	$30,778
Stocks	**11,485**	11,329
	$41,735	$42,107

Summary Statement of Income
($000's)

Gross premiums written	**$36,572**	$33,400
Reinsurance ceded	**(3,674)**	(2,538)
Increase in unearned premium reserve	**(821)**	(494)
Net premiums earned	**32,077**	30,368
Claims	**20,836**	20,191
Commissions and premium taxes	**6,597**	6,216
General and administrative expenses	**5,434**	5,575
	32,867	31,982
Net underwriting loss	**(790)**	(1,614)
Investment income and inter-company dividends	**2,931**	2,682
Gain on sale of securities	**799**	924
	2,940	1,992
Income taxes	**1,089**	609
Net income before minority interest	**1,851**	1,383
Minority interest and consolidating adjustments	**(91)**	(182)
Net contribution to Traders	**$ 1,760**	$ 1,201

Left to right, R. E. Bethell, President and
J. W. McCutcheon, Chairman of the Board



The four companies which comprise the Canadian General Insurance Group provide automobile, fire and other general insurance, commercial insurance and bonding, as well as life and disability insurance.

Profit contribution of the group increased 46% to $1,760,000 in 1973. This resulted from an increase in gross premiums written, improved product mix and improved underwriting experience.

In the general insurance lines, gross premiums written increased 8.3% to $32.2 million in 1973. Growth was achieved in property and casualty business, resulting in a better product mix. Contrary to industry experience, the underwriting loss declined 44.5% from the 1972 level.

During the last quarter, automobile claims began to increase and the trend has continued into this year.

The entry of the British Columbia government into the general insurance field last year is resulting in loss of business for private carriers. Intense competition to replace this business, together with the current high level of inflation, is resulting in unreasonably low premiums in all classes of general insurance.

Canadian General Life Insurance Company was renamed in 1973 to reflect its inclusion in the Canadian General Insurance Group. The life company specializes in mass marketing of life and disability coverage to members of professional and trade associations. It also provides this coverage to individuals.

Canadian General Life achieved record profit of $382,516 during 1973, an increase of 35% over 1972. This resulted from increased premiums written, continued favorable loss experience and increased investment income.

The company recently closed several new group policies, which will improve its 1974 premiums.

Guaranty Trust Company of Canada

Balance Sheet
($000's)

	1973	1972 (Reclassified Note 1)
ASSETS		
INVESTMENTS		
Cash and bank deposit receipts	**$ 65,077**	$ 32,889
Securities and loan income due and accrued	**9,508**	6,342
Collateral loans to brokers	**6,816**	30,280
Securities:		
Government of Canada and Provinces of Canada direct and guaranteed bonds, at amortized cost	**80,288**	84,608
Corporation notes, at cost	**40,023**	74,715
Other securities, at cost or amortized cost:		
Municipal	**3,462**	3,401
Corporation bonds and debentures	**33,331**	19,234
Stocks	**16,946**	13,694
(Market value 1973—$50,361; 1972—$35,994)	**53,739**	36,329
	174,050	195,652
Loans:		
Consumer loans, less provision for losses	**19,389**	11,658
Secured loans, less provision for losses:		
Corporate	**6,852**	—
Personal	**5,685**	2,878
	12,537	2,878
Mortgages, at cost	**651,770**	507,110
	683,696	521,646
Other investments:		
Affiliated companies (Note 2)	**810**	540
Other, at cost	**3,737**	—
	4,547	540
	943,694	787,349
OTHER ASSETS		
Premises, leasehold improvements and equipment, at cost less accumulated depreciation and amortization of $3,792 (1972—$3,443)	**5,017**	4,550
Advance to estates, trusts and agencies	**250**	250
Income taxes recoverable	**1,951**	—
Accounts receivable and other assets	**2,276**	897
	$953,188	$793,046
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Guaranteed Trust Funds:		
Demand deposits	**$265,791**	$284,740
Term deposits	**620,060**	447,420
Interest accrued and other payables	**18,022**	12,077
	903,873	744,237
Income taxes payable	**—**	2,026
Dividend payable	**622**	622
Other liabilities	**2,209**	823
	906,704	747,708
Deferred income taxes	**1,283**	363
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized — 10,000,000 shares of $2 par value		
Issued — 4,444,450 shares	**8,889**	8,889
General reserve	**33,000**	33,000
Unappropriated earnings	**3,312**	3,086
	45,201	44,975
	$953,188	$793,046

Statement of Revenue and Expense

($000's)

	1973	1972 (Reclassified Note 1)
REVENUE		
Interest from mortgages and other loans	**$ 49,347**	$ 42,008
Interest and dividends from securities and bank deposit receipts	**17,677**	13,247
Fees and commissions	**6,437**	5,760
Real estate commissions	**1,822**	1,041
	75,283	62,056
EXPENSE		
Interest on deposits	**53,756**	41,772
Salaries and staff benefits	**8,144**	6,395
Premises including depreciation and amortization of $349 (1972—$190)	**1,355**	1,229
Commissions paid to real estate agents and salesmen	**1,218**	686
Other operating expenses	**4,690**	2,962
	69,163	53,044
Operating profit before taxes	**6,120**	9,012
Income taxes:		
current	**1,946**	4,094
deferred	**699**	(47)
	2,645	4,047
Net operating profit	**3,475**	4,965
Net gain on sale of investments, less applicable income taxes	**40**	217
Net profit before extraordinary item	**3,515**	5,182
Gain on disposal of premises	**—**	200
Net profit for the year	**$ 3,515**	$ 5,382
Earnings per share:		
Net operating profit	**$0.78**	$1.12
Net gain on sale of investments	**$0.01**	$0.05
Net profit before extraordinary item	**$0.79**	$1.17
Net profit for the year	**$0.79**	$1.21
Number of shares outstanding during the year (thousands)	**4,444**	4,444

We hereby certify that to the best of our knowledge and belief the balance sheet as at December 31, 1973 and the statements of revenue and expense, unappropriated earnings and general reserve for the year then ended are correct and show truly and clearly the financial condition of the Company's affairs and the results of its operations.

G. R. Sharwood
Chairman of the Board and Chief Executive Officer

J. W. McCutcheon, Director

A. R. Marchment, President

Notes to Financial Statements

December 31, 1973

1. CHANGES IN ACCOUNT CLASSIFICATION

The 1972 comparative figures have been reclassified to reflect the account classification adopted in 1973.

2. INVESTMENT IN AFFILIATED COMPANIES

This comprises the investments in two affiliated companies which are accounted for on the equity basis. The Company's equity in the net earnings or losses of the affiliates has been included in the statement of revenue and expense.

3. CONTINGENCIES

(a) Guaranty Trust has made an offer to the certificate holders of Champion Savings Corporation Limited. Champion Savings has been petitioned into bankruptcy by Guaranty Trust as a result of a fraudulent exchange of securities by certain officers of Champion Savings. It is not possible to determine what final settlement may arise in this matter; however, the provision for settlement of claim by Guaranty Trust of $800,000 net is considered adequate.

(b) Included in the balance of unappropriated earnings at January 1, 1972 is a charge of $368,000 in respect of the restatement of land and buildings at cost less accumulated depreciation as well as a provision for estimated income taxes and related charges in connection with the reporting of income over a number of years prior to 1971. In this latter regard, no final settlement has been made but the Company does not believe any further provision is required in these accounts.

Guaranty Trust Company of Canada

Statement of Unappropriated Earnings
($000's)

	1973	1972
Balance at beginning of the year (Note 3(b))	**$ 3,086**	$ 3,193
Net profit for the year	**3,515**	5,382
	6,601	8,575
Deduct—Dividends (1973—56 cents per share; 1972—56 cents per share)	**2,489**	2,489
—Provision for settlement of claim (Note 3(a))	**800**	—
—Transfer to general reserve	**—**	3,000
	3,289	5,489
Balance at end of the year	**$ 3,312**	$ 3,086

Statement of General Reserve
($000's)

	1973	1972
Balance at beginning of the year	**$33,000**	$30,000
Transfer from unappropriated earnings	**—**	3,000
Balance at end of the year	**$33,000**	$33,000

Auditors' Report

To the Shareholders of Guaranty Trust Company of Canada:

We have examined the balance sheet of Guaranty Trust Company of Canada as at December 31, 1973 and the statements of revenue and expense, unappropriated earnings and general reserve for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the financial position of the Company as at December 31, 1973 and the results of its operations and changes in general reserve for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, January 31, 1974.

(Signed) PRICE WATERHOUSE & CO.
Chartered Accountants



G. R. Sharwood
Chairman of the Board and
A. R. Marchment, President

Guaranty Trust Company of Canada, in which Traders now holds a majority interest, provides a comprehensive range of personal and corporate financial services. Personal services include chequing and savings accounts, mortgages and real estate sales, investment and estate management, retirement savings plans, investment funds and income tax services. Corporate trust, registrar and stock transfer services, pension fund management, corporate lending and commercial mortgage services are provided for the business community.

Like most trust organizations, the company is sensitive to interest rate fluctuations and this sensitivity is shown in the 1973 results.

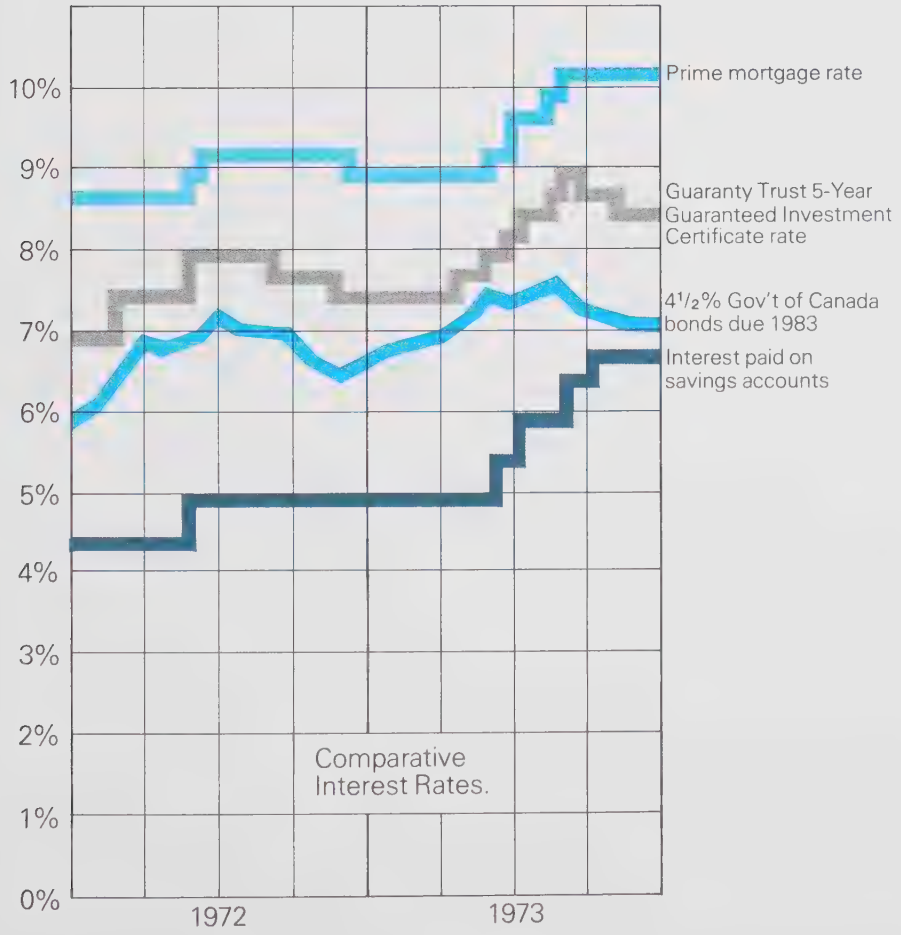
Net operating profit before gain or loss on sale of securities declined to 78 cents a share in 1973 from $1.12 a share in 1972. Guaranty Trust's contribution to Traders profit declined to $1,448,000 from $2,100,000 in the previous year.

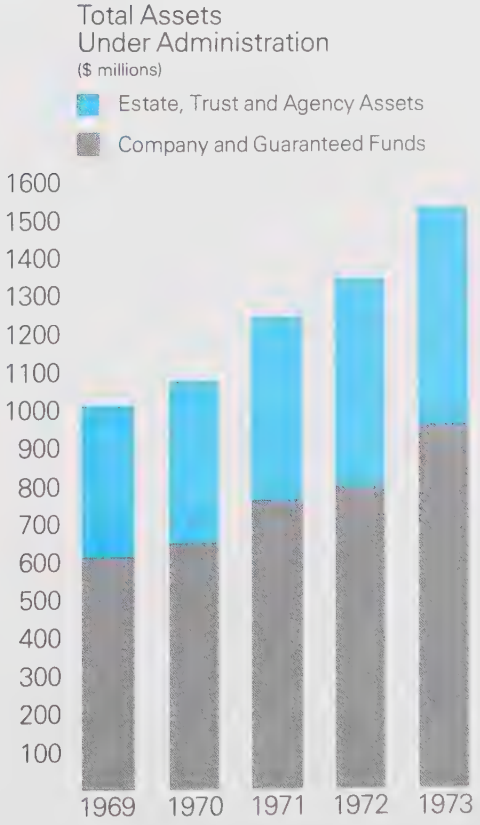
At the beginning of 1973, mortgage loans at 6¾% or less totalled $178 million. During the past year, the company completed the largest mortgage lending program in its history, recording a net gain of $146 million in new mortgages at rates from 9 to 10½%. This will substantially improve the yield on the mortgage portfolio.

The company's personal loan program was accelerated, with personal loans increasing to $25.1 million from $14.5 million.

A new corporate finance division was established in the second half to provide term loans to small and medium-size business. By year end, this division had a portfolio of $7 million. This portfolio is regarded as having considerable potential.

During 1973, the company concentrated on upgrading administrative capabilities in both branches and head office, in order to improve the quality of client service.





TRADERS GROUP LIMITED

Financial Review

Shareholders will be particularly interested in the 25% increase during 1973 of quarterly dividend payments. Quarterly dividends were raised to 25 cents per share from 20 cents, establishing an annual rate of $1.00 per common share at year end.

The new dividend rate is the highest ever paid by Traders, after adjusting for stock splits. The year end dividend brought to 103 the number of consecutive common share dividend payments.

As reported elsewhere, net income in 1973 was up 6% to $11,215,000, while earnings available to common shareholders were up 7% to $10,372,000, before extraordinary items. Earnings per common share of $2.07 in 1973 were up 3%.

Interest rates began to increase at the end of 1972 and the accompanying chart shows the dramatic rise in short-term rates, including the rates paid by Traders on its short-term notes. While long-term rates did not rise as rapidly, the general rate escalations resulted in Traders average borrowing rate reaching an historically high level.

During 1973, Traders short-term selling group, comprised primarily of money market dealers, placed more than $1.4 billion in secured short-term notes. At year end, secured short-term debt totalled $215 million, compared with $135 million a year earlier. Bank lines of credit of Traders and its finance subsidiaries were increased during the year 38% or $59 million to $213 million.

Secured medium and long-term borrowings were increased by $49 million, or 17%, to $341 million.

Debentures of Traders increased 36% or $21 million, to $78 million, thus strengthening the company's capital base.

The net result of borrowing operations was to increase the debt by $155 million during the year, including the $21 million increase in debentures.

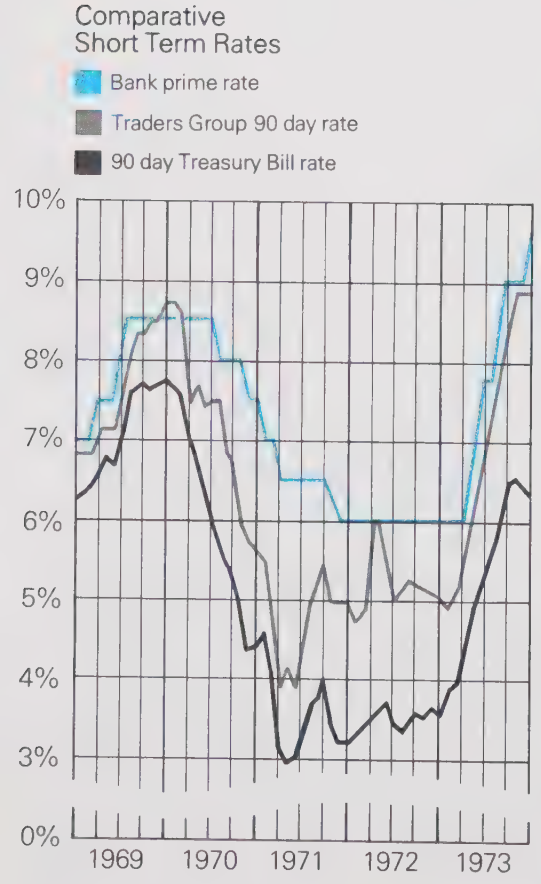
A second chart below reviews the five year growth of Traders capital structure. Over the period, the capital structure has grown at an average annual rate of 10.2%, compounded.

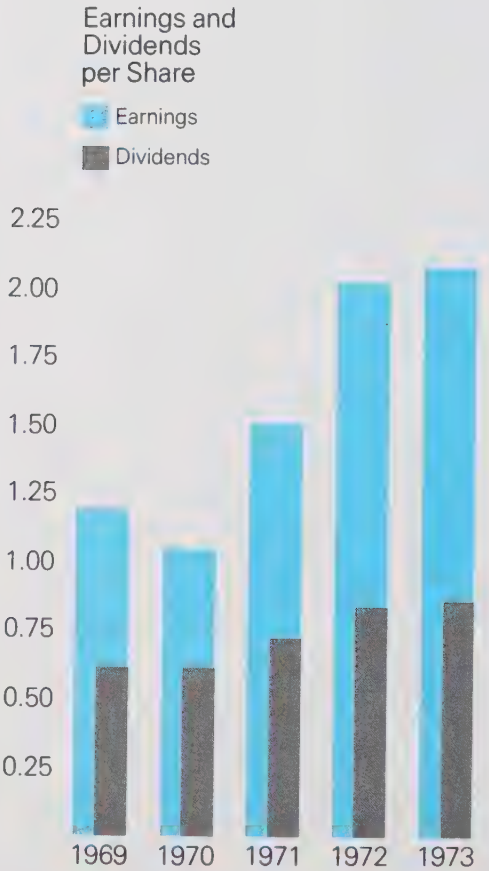
As part of the implementation of an on-line branch terminal system during 1973, Traders cash management and banking system has been simplified and improved. This should result in savings in expenses through improved cash management and reductions in clerical routines.

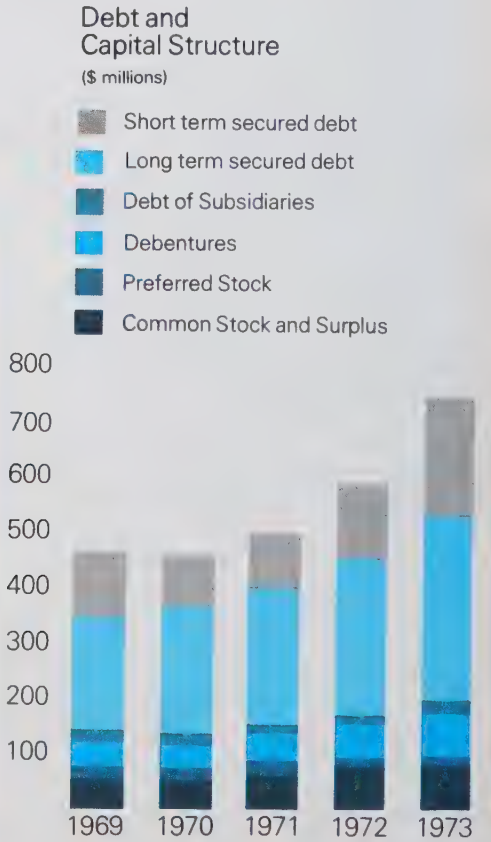
For a number of years, Traders has had a retirement benefit plan for its employees, including employees of subsidiaries. This plan is incorporated as a Trusteed Pension Plan and the Trustees supervise its administration.

Guaranty Trust has its own employee pension plan which is not integrated with the Traders plan.

The latest actuarial evaluation, as of December 31, 1971, established that current and future liabilities of the plan were adequately funded. The plan is not part of the Company's assets, thus it is not reflected in the balance sheet.







TRADERS
GROUP LIMITED
AND CONSOLIDATED
SUBSIDIARIES

Consolidated Financial Statements

Traders Group Limited and Consolidated Subsidiaries

Balance Sheet

($000's)

Assets

	December 31	
	1973	1972
Cash (Note 2)	**$ 17,461**	$ 13,651
Receivables:		
Finance, including $367,599 due within one year (1972—$314,456)—		
Consumer	**487,888**	381,585
Commercial (Note 3)	**247,865**	182,295
Wholesale	**93,061**	66,201
	828,814	630,081
Loans to associated companies	**17,987**	18,492
	846,801	648,573
Less: Allowance for credit losses	**13,407**	12,596
	833,394	635,977
Investments:		
Investments of Canadian General Insurance group—		
Marketable securities, at cost (Note 4)	**46,680**	43,617
Mortgages	**4,006**	3,431
Land inventories of subsidiaries, at cost	**6,729**	9,083
Investments in associated companies, at equity value	**1,727**	1,379
Investment in non consolidated subsidiary—		
Guaranty Trust Company of Canada, at equity value (Note 4)	**22,849**	20,852
	81,991	78,362
Other assets:		
Receivables of insurance group and other receivables	**12,353**	11,204
Income taxes recoverable	**1,967**	1,689
Fixed assets, at cost less accumulated depreciation of $4,301 (1972—$4,331)	**5,455**	5,536
Unamortized cost of borrowed money	**5,470**	4,608
	25,245	23,037

Approved on behalf of the Board:
H. E. DYNES, Director
R. L. SHEARD, Director

$958,091	$751,027

Liabilities

	December 31 1973	1972
Payables:		
Accounts payable and accrued expenses	**$ 24,146**	$ 17,269
Wholesale due to manufacturers	**10,075**	6,352
Dividends payable	**1,609**	1,230
Deferred income taxes	**9,900**	3,849
Insurance claims	**25,984**	25,697
Dealers' balances and factoring liabilities	**24,372**	21,402
	96,086	75,799
Secured debt (Note 5):		
Due within one year—		
Short term	**214,785**	135,121
Medium and long term	**55,210**	39,356
Due beyond one year	**285,867**	252,938
	555,862	427,415
Unsecured debt of subsidiaries:		
Due within one year	**7,627**	5,089
Due beyond one year	**3,610**	536
	11,237	5,625
Debentures of the Company (Note 5):		
Due within one year	**4,531**	4,470
Due beyond one year	**74,250**	53,533
	78,781	58,003
Unearned and deferred income:		
Finance charges	**105,368**	77,101
Insurance premiums	**13,948**	13,127
Deferred gross margin on land sales (Note 6)	**920**	—
	120,236	90,228
Minority interest in consolidated subsidiaries	**1,052**	868
Capital and surplus (Note 5):		
Preferred shares	**13,864**	14,304
Common shares	**33,404**	33,397
	47,268	47,701
Surplus	**47,569**	45,388
	94,837	93,089

The accompanying notes form an integral part of the consolidated financial statements.

$958,091	$751,027

Traders Group Limited and Consolidated Subsidiaries

Statement of Surplus

($000's)

	Year ended December 31	
	1973	1972
Balance at beginning of year	**$45,388**	$39,883
Adjustments arising during the year—		
Excess of purchase price of shares in subsidiary companies over book value, including Guaranty Trust Company of Canada (Note 4 (b))	**(4,351)**	(579)
Purchase of income funding rights (Note 5)	**(305)**	—
Amortization of cost of issuing preferred shares, net of gain on redemption	**31**	5
	40,763	39,309
Net income after extraordinary items	**12,168**	10,594
Less: Dividends on preferred shares—		
4½% (net of subsidiary holdings)	**136**	136
5%	**58**	58
5%, Series A	**149**	167
$2.16, Series B	**498**	510
Interest on income funding rights (net of subsidiary holdings)	**2**	8
	843	879
Earnings available for common shares (Note 7)	**11,325**	9,715
Less: Dividends on common shares (1973—90 cents per share; 1972—75 cents per share)	**4,519**	3,636
Earnings retained during the year	**6,806**	6,079
Balance at end of year	**$47,569**	$45,388

Note:
Surplus consists principally of retained earnings and is reduced by the net excess of purchase price of shares held in subsidiary companies over their book value when acquired.

As a result of the redemption of preferred shares, $857,000 of the above surplus is designated as capital surplus under The Canada Corporations Act.

Traders Group Limited and Consolidated Subsidiaries

Statement of Net Income

($000's)

	Year ended December 31	
	1973	1972
Gross operating income:		
Finance	**$ 90,770**	$ 76,519
Land Development (less gross margin deferred (Note 6))	**7,898**	2,290
Canadian General Insurance group	**32,077**	30,368
	130,745	109,177
Investment income:		
Canadian General Insurance group	**2,908**	2,648
Equity share in net income of non-consolidated subsidiary—Guaranty Trust Company of Canada (Note 4 (b))	**1,448**	2,100
Other	**25**	4
Gain on sale of securities:		
Canadian General Insurance group	**799**	924
Other	**—**	167
	135,925	115,020
Direct operating charges:		
Interest expense—		
Collateral trust notes—short term	**12,601**	7,141
—medium and long term	**19,610**	17,232
Debentures	**5,339**	3,820
Other borrowing costs	**3,083**	2,856
	40,633	31,049
Provision for credit losses	**5,029**	6,307
Cost of sales—land development	**4,850**	896
Insurance claims	**20,836**	20,191
Commissions and other direct charges	**9,319**	8,155
	80,667	66,598
General and administrative expenses	**35,008**	30,474
Total expenses	**115,675**	97,072
Income before income taxes and minority interest	**20,250**	17,948
Income taxes (including deferred $6,051; 1972—$3,309)	**8,832**	7,162
	11,418	10,786
Minority interest in net income of consolidated subsidiaries	**203**	192
Net income before extraordinary items	**11,215**	10,594
Extraordinary items:		
Income taxes realized on the carry forward of past losses	**27**	—
Capital gain on sale of shares of a subsidiary (Note 8)	**926**	—
	953	—
Net income after extraordinary items	**$ 12,168**	$ 10,594

Traders Group Limited and Consolidated Subsidiaries

Statement of Changes in Financial Position

($000's)

	Increase (Decrease) Year ended December 31	
	1973	1972
CHANGES IN CONSOLIDATED ASSETS:		
Cash	**$ 3,810**	$ 5,081
Receivables (net of unearned finance charges and allowance for credit losses)	**169,150**	82,914
Investments—		
Held by Canadian General Insurance group	**3,638**	5,089
In land inventories of subsidiaries	**(2,354)**	1,131
In associated companies	**348**	700
In Guaranty Trust Company of Canada (Note 4[b])	**1,997**	1,446
	3,629	8,366
Other assets	**2,208**	937
Net increase in consolidated assets	**$178,797**	$ 97,298
SOURCES OF FUNDS TO FINANCE THE INCREASE IN CONSOLIDATED ASSETS:		
Debt—		
Secured	**$128,447**	$ 72,459
Debentures of the Company	**20,778**	8,495
Unsecured debt of subsidiaries	**5,612**	(325)
	154,837	80,629
Share capital	**(433)**	3,146
Increase in surplus after write off of excess of cost of shares in subsidiaries over book value, including Guaranty Trust Company of Canada (Note 4[b])	**2,181**	5,505
Other liabilities		
Payables	**20,287**	7,294
Unearned insurance premiums	**821**	619
Deferred gross margin on land sales	**920**	—
Minority interest in consolidated subsidiaries	**184**	105
	22,212	8,018
	$178,797	$ 97,298

The above statement shows the changes in consolidated assets from the prior year end, and the four major sources of funds (debt, capital, surplus and other liabilities).

A conventional statement of source and use of funds is not appropriate to finance companies since "working capital" for such companies includes long term receivables and long term debt as well as current items. The above statement has been designed to show comparable information appropriate to the operations of the Company's business.

Traders Group Limited and Consolidated Subsidiaries

Notes to the Financial Statements

December 31, 1973

1. Accounting practices:

(a) Principles of consolidation—

The consolidated financial statements include the accounts of the Company and all subsidiary companies, except Guaranty Trust Company of Canada (Note 4[b]). The financial statements of Guaranty Trust Company of Canada prepared as of December 31, 1973 with the auditors' report thereon appears on pages 14-16. The assets of the trust company arise primarily from deposits which may only be invested as prescribed by the Trust Companies Act and Regulations and are not interchangeable with those of the Company. Accordingly, the accounts of Guaranty Trust Company of Canada have not been consolidated with those of the Company and its other subsidiaries. A schedule of principal subsidiary companies is provided on page 31.

The fiscal year end of the land development subsidiaries is November 30. Accordingly the consolidated financial statements include their accounts as of November 30, 1973, and the results of their operations for the twelve months then ended. All other subsidiaries have a fiscal year end of December 31.

(b) Associated companies—

The Company and certain subsidiaries hold between 24% and 50% of the equity shares in a number of associated companies. The investments in associated companies are carried at cost plus excess of earnings over dividends received from date of acquisition. Income pertaining to these investments is accounted for on an equity basis.

(c) Foreign exchange—

Foreign currency receivables or debt due to be received or paid within one year are translated to Canadian dollars at either the exchange rate at balance sheet date or at forward contract rates where such contracts have been made. Foreign currency receivables due beyond one year are included in the consolidated financial statements at the exchange rates in effect at the time of acquisition. Foreign currency debt due beyond one year is carried at the Canadian dollar amount received at date of issue (Note 11).

Unearned finance charges related to foreign currency receivables are translated on the same basis as the related receivables. Income and expenses of foreign subsidiaries are translated at the average rates of exchange in effect during the year.

Gains or losses arising from market exchange fluctuations are reflected in current operations, while those resulting from revaluation of foreign currencies are recorded as extraordinary items.

(d) Unearned and deferred income—

Unearned income on lease contracts and certain long term instalment contracts is computed on an actuarial yield basis. Unearned income on other instalment contracts is computed by the sum of the digits method.

Unearned insurance premiums represent 80% of the pro-rata unexpired portion of net premiums written.

Land development subsidiaries follow the practice of deferring gross margins on land sales until at least 15% of the sale price has been received in cash.

(e) Land inventories of subsidiaries—

Land development and carrying costs are accumulated in the carrying value of land and charged against income proportionate to the sales to date of each development. Land is carried at development cost to date, but not in excess of estimated market value.

(f) Income taxes—

Deferred income tax accounting methods are used by the Company and its subsidiaries.

2. Cash:

Cash includes $13.4 million in balances in U.S. banks maintained in accordance with agreements for lines of credit with these banks, and $972,551 in trust bank accounts in the insurance subsidiaries, offset by a trust liability of the same amount included in accounts payable.

3. Commercial finance receivables:

Included in commercial finance receivables are lease receivables aggregating $62.9 million, as follows:

	1973	1972
	($000's)	
Aggregate rentals receivable	**$60,441**	$37,382
Residuals on expiry of leases—		
Contractual	**2,880**	465
Non contractual	**843**	848
	64,164	38,695
Less—Deposits refundable on termination of leases	**1,263**	1,167
—Rentals paid in advance	**44**	—
	$62,857	$37,528

Also included are mortgage receivables of $5.165 million (1972—$1.305 million) of the land development group.

4. Investments:

(a) Investments of Canadian General Insurance group—

	1973	1972
	($000's)	
Cost—		
Bonds	**$34,251**	$32,805
Preferred shares	**4,116**	3,916
Common shares	**8,313**	6,896
	$46,680	$43,617
Indicated market value—		
Bonds	**$30,250**	$30,778
Preferred shares	**3,493**	3,470
Common shares	**7,992**	7,859
	$41,735	$42,107

(b) Guaranty Trust Company of Canada—

Balance December 31, 1972—	($000's)
1,814,134 shares at cost	$19,069
Cost of 433,158 shares purchased during the year	5,992
Accumulated excess of share of earnings over dividends received since January 1, 1971	2,192
	27,253
Consistent with the Company's long time practice the excess of cost of shares over underlying book value, has been written off to surplus in 1973	4,404
Equity value December 31, 1973 of 2,247,292 or 50.56% of the outstanding shares	$22,849

The Company has accounted for this investment on the equity basis, however, no earnings were attributed to 346,444 of the above shares which were acquired in December 1973.

5. Capitalization:

Details of the secured debt of the Company and its consolidated subsidiaries, debentures of the Company, and capital position of the Company are included in the Capitalization Schedule on pages 27-30.

6. Deferred income:

Deferred gross margin on land sales attributable to the Company's interest in the Land Development Group amounted to $1,810,967. Of this amount $920,245 was deferred by a subsidiary and is reflected in these consolidated statements. The remaining amount of $890,722 represents the Company's share of gross margin deferred by an associated company accounted for on an equity basis.

7. Earnings per share:

Earnings per common share have been calculated using the monthly average of shares outstanding during the year.

	For the year ended December 31	
	1973	1972
Monthly average of common shares outstanding during the year (000's)	**5,021**	4,828
Earnings per common share—		
Before extraordinary items	**$2.07**	$2.01
After extraordinary items	**$2.26**	$2.01

If all the outstanding share purchase warrants referred to in the Capitalization Schedule on page 30 had been exercised as of the beginning of the year, the proceeds would have been $5.8 million. If imputed earnings on these proceeds were calculated at the average rate of return for the period on actual outstanding equity, the dilution from actual earnings per share would have been insignificant.

8. Extraordinary item:

During 1972, the Company entered into an agreement to sell a 30% interest in Aetna Factors Corporation Ltd., to a Canadian chartered bank on the basis of 10% in 1973, 10% in 1974, and 5% in each of 1975 and 1976.

The initial sale of 10% was completed on January 2, 1973 and the resulting gain reflected in the results of the current year as an extraordinary item. The 1974 sale was completed on January 2, 1974 and a further gain of $926,000 was realized and will be reflected in 1974. On completion of the remaining sales, in 1975 and 1976 further gains are anticipated.

9. Income taxes:

At December 31, 1973 the Canadian General Insurance group had losses of $788,235 in excess of amounts required to offset income deferred for income tax purposes. These losses are available to 1975 or 1976 to reduce otherwise taxable income in accordance with loss carry forward provisions of income tax legislation. None of these potential recoveries have been recorded in the companies' accounts.

10. Contingent liabilities:

The Company and its subsidiaries, in the normal course of business, have guaranteed letters of credit and bank loans on behalf of customers, and bank loans of associated companies, in the aggregate amount of $7.1 million at December 31, 1973.

The Company is also guarantor in the amount of $2.1 million (1972—$2.2 million) with respect to first mortgage advances by the principal lender on joint mortgages in which the Company and certain subsidiaries participate.

An insurance subsidiary is being sued for damages of $6.5 million for breach of contract. Legal counsel advises that this action has no merit.

11. Foreign exchange:

Debt due beyond one year in foreign currencies is carried at the Canadian funds received at date of issue. The total Canadian dollar liability on such notes at current rates of exchange at December 31, 1973 is less than the Canadian funds received at date of issue, indicating a contingent future foreign exchange gain of approximately $3.9 million. Foreign exchange conditions in the future could alter this position materially.

12. Remuneration of directors and officers:

The aggregate direct remuneration paid to the directors and senior officers of the Company during the year ended December 31, 1973 was:

	As directors		As officers	
	Number	Amount ($000's)	Number	Amount ($000's)
Paid by the Company	16	$ 46	19	$853
Paid by subsidiaries	7	$ 13	1	$ 25

Four officers are and two past officers were also directors of the Company.

Auditors' Report

Price Waterhouse & Co., Chartered Accountants
P.O. Box 51,
Toronto-Dominion Centre,
Toronto, Ontario M5K 1G1

March 6, 1974

To the Shareholders of
Traders Group Limited:

We have examined the balance sheet of Traders Group Limited and consolidated subsidiaries as at December 31, 1973 and the statements of net income, surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Traders Group Limited and Consolidated Subsidiaries

Capitalization

December 31, 1973

Secured Debt

($000's)

The collateral trust notes are secured by—

A first fixed and specific mortgage and charge of and upon instalment obligations and/or approved securities, and by a first floating charge on the undertaking and other property and assets of the Company.

	Due within one year	Due beyond one year	Total
Traders Group Limited:			
Collateral trust notes—			
Bank and short term			
Bank loans			
—in Canadian funds	$ 53,250	$ —	$ 53,250
—in U.S. funds at forward exchange rate	5,001	—	5,001
Short term notes			
—in Canadian funds	152,064	—	152,064
—in U.S. funds at forward exchange rate	4,470	—	4,470
	214,785	—	214,785
Medium term maturing 1974 to 1978	42,976	67,903	110,879
Long term	10,462	191,854	202,316
	53,438	259,757	313,195
Other secured debt	855	16,857	17,712
Subsidiary companies:			
Other secured debt	917	9,253	10,170
	55,210		
Total secured debt	$269,995	$285,867	$555,862

Medium term notes maturing in—

1974	$ 42,976
1975	25,304
1976	37,509
1977	4,080
1978	1,010
	$110,879

Details of long term collateral trust notes—

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
9¾% AM (i)	December 15, 1974	$ —	$ 7,500	$ 7,500
9½% AN (i)	May 15, 1975	—	15,000	15,000
4½% S	April 1, 1976	—	10,000	10,000
5⅜% V	May 1, 1977	—	10,000 U.S.	9,534
5¾% X	April 1, 1979	—	7,500	7,500
6¾% AF	June 15, 1981	250	10,000	8,250
5¾% Y	September 15, 1981	375	15,000	11,764
5¾% Z	April 15, 1983	250	10,000	8,887
5¼% AA (ii)	May 15, 1983	250 U.S.	10,000 U.S.	9,677
5¾% AB	May 1, 1984	250	10,000	8,609
5¾% AC	September 15, 1984	375	15,000	11,834
5¾% AD	April 15, 1985	375	15,000	12,477
6¼% AE	April 1, 1986	—	12,500 U.S.	13,457
7¾% AH	December 1, 1986	79	3,150	2,678
7¼% AI	July 1, 1987	—	17,700 U.S.	19,034
7¾% AJ	September 15, 1987	125	5,000	4,363
8% AK	December 1, 1988	—	15,450 U.S.	16,577
8¾% AL	December 15, 1988	8	300	300
9% AP	February 15, 1991	625	25,000	24,875
		$2,712		$202,316
		$ 250 U.S.		

(i) The following notes are exchangeable, at the option of the holders during the respective periods indicated below, for an equal aggregate principal amount of notes of the same series maturing on the extended maturity date:

Series	After	Prior to	Extended maturity date
9¾% AM	December 15, 1973	June 15, 1974	December 15, 1989
9½% AN	May 15, 1974	November 15, 1974	May 15, 1990

(ii) $1.0 million (U.S.) of Series AA notes has been paid through the operation of the purchase fund.

Pursuant to a private placement commitment entered into in 1970 the Company expects to issue $15.5 million (U.S.) aggregate principal amount of 10½% collateral trust notes, Series AO, maturing twenty years after the date of delivery.

Details of other secured debt—

The Company and its consolidated subsidiaries have obligations of $27.9 million secured on real and other property, bearing current interest rates from 6% to 10%, and payable from 1974 through 1987.

Debentures

Traders Group Limited
($000's)

Series	Maturity date	Annual sinking fund or maximum annual purchase fund	Issued	Outstanding
5¾%	October 15, 1974	$ —	$ 5,000	$ 3,106
6¾%	April 15, 1975	150	6,000	4,075
9¾% (i)	November 2, 1975	—	10,000	10,000
6%	October 15, 1982	225	7,500	5,802
6%	November 1, 1984	180	6,000	4,971
6%	June 1, 1985	120	4,000	3,327
9½% (ii)	June 15, 1991	—	10,000	10,000
8¾% (ii)	October 15, 1992	—	12,500	12,500
8¾%	May 1, 1993	375	12,500	12,500
9%	October 15, 1993	375	12,500	12,500
		$1,425		$78,781

(i) The 9¾% debentures are exchangeable at the option of the holders after November 2, 1974 and prior to May 2, 1975 for an equal aggregate principal amount of 9¾% debentures due on November 2, 1980. A purchase fund will apply from 1976 to 1979 on the 9¾% debentures due November 2, 1980.

(ii) The holders of the following series have the right to elect that the Company shall pay such debentures at the early maturity date indicated below.

Series	After	Prior to	Early maturity date
9½% June 15, 1991	June 15, 1975	December 15, 1975	June 15, 1976
8¾% October 15, 1992	October 15, 1981	April 15, 1982	October 15, 1982

Purchase funds will only apply to the foregoing series on the amounts outstanding after the early maturity date.

Capital

(a) Income funding rights—

There are outstanding 976 Series A and 664 Series B income funding rights with a total aggregate face value of $42,504. During the year, 17,904 rights (including 11,551 previously held by subsidiaries) have been purchased and cancelled at an aggregate cost of $305,395. Non-cumulative interest at the rate of $1 per annum per right is payable out of the net income of each fiscal year.

(b) Cumulative redeemable preferred shares—

	Authorized		Issued and Outstanding	
	Shares	Amount	Shares	Amount
		($000's)		($000's)
4½%, par value $100	35,000	$ 3,500	35,000	$ 3,500
Less—held by subsidiaries			5,022	502
			29,978	2,998
5%, par value $40	29,149	1,166	29,149	1,166
Shares issuable in series, par value $30	551,917	$16,558		
Series A, 5%			104,586	3,138
Less—Cancelled by purchase during 1973			9,405	283
			95,181	2,855
Series B, $2.16			233,411	7,002
Less—Cancelled by purchase during 1973			5,250	157
			228,161	6,845
				$13,864

The terms of issue of Series A and Series B preferred shares include provisions by which the Company is to provide (subject to certain conditions) the following purchase fund for the purchase and cancellation of these preferred shares:

	Maximum purchase price per share	Annual purchase fund
Series A	$28	$210,000
Series B	$30	$150,000

The company has fulfilled its purchase fund obligations to December 31.

(c) Common shares without nominal or par value—

	Authorized	Issued and Outstanding	
		Shares	Amount
			($000's)
Class A	6,000,000	4,300,600	$32,917
Issued during the period—			
On exercise of 1966 warrants		515	6
On exercise of 1969 warrants		55	1
		4,301,170	32,924
Class B	720,000	720,000	480
		5,021,170	$33,404

Class A common shares reserved for issue at December 31, 1973 were:

	Expiry date	Price	Number of Shares reserved
On exercise of share purchase warrants—			
1966 warrants issued with Series AF Collateral Trust Notes	June 15, 1976	$13	198,015
1969 warrants issued to Series B preferred shareholders in that year	October 31, 1979	$13	249,670
			447,685

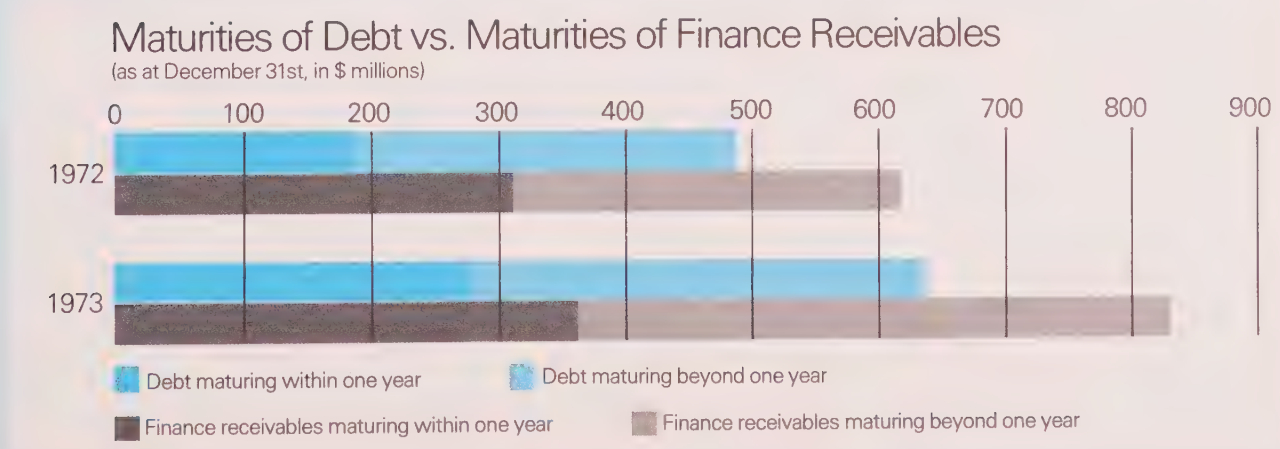
Principal Subsidiary Companies

	Effective % ownership by the Company	Investments at cost and advances by the Company ($000's)
CONSOLIDATED SUBSIDIARIES		
FINANCE GROUP–		
Trans Canada Credit Corporation Limited	100.0%	$110,260
Traders Realty Limited	100.0	9,437
Traders Homeplan Limited and subsidiaries	99.9	129,874
Aetna Factors Corporation Ltd. and subsidiaries	80.0	9,419
Traders Finance Corporation (1966) Limited	100.0	495
INTERNATIONAL OPERATIONS–		
Traders Finance S.A. and subsidiaries	100.0	8,324
LAND DEVELOPMENT GROUP–		
Forest Glenn (Dixie) Limited and subsidiary	100.0	1,596
Traders Developments Limited and subsidiaries	100.0	—
CANADIAN GENERAL INSURANCE GROUP	98.4	2,663
NON-CONSOLIDATED SUBSIDIARY		
Guaranty Trust Company of Canada	50.6%	25,061

Consolidated Summary of Maturities

($000s)

	Assets		Liabilities		Difference
Maturity Dates Within:	Receivables	Other	Debt	Other	
1974	$362,169	$ 20,741	$277,624	$ 56,896	$48,390
1975	159,583	250	57,054	8,075	94,704
1976	113,056	250	50,298	—	63,008
1977	65,236	250	15,904	—	49,582
1978	75,586	—	4,930	—	70,656
	775,630	21,491	405,810	64,971	326,340
Beyond 1978	60,129	—	237,689	—	(177,560)
Arrears	5,426	—	—	—	5,426
	841,185	21,491	643,499	64,971	154,206
Unearned Income	(105,368)	—	—	—	(105,368)
Allowance for Credit Losses	(13,258)	—	—	—	(13,258)
	722,559	21,491	643,499	64,971	35,580
Insurance and Non-finance Operations	7,094	101,580	2,381	47,036	59,257
	$729,653	$123,071	$645,880	$112,007	$94,837



Consolidated Five Year Highlights

(amounts in thousands, except where noted)

	1973	1972	1971	1970	1969
EARNINGS AND DIVIDENDS					
Net income by source					
Finance	**$ 6,470**	$ 6,450	$ 6,061	$ 5,542	$ 4,062
Land Development	**1,537**	843	457	376	329
Canadian General Insurance group	**1,760**	1,201	(192)	(853)	989
Guaranty Trust	**1,448**	2,100	1,467	353	353
Frankel Steel (sold in 1971)	**—**	—	113	359	501
	11,215	10,594	7,906	5,777	6,234
Preferred dividends	**843**	879	1,066	1,191	1,015
Available for common shareholders	**10,372**	9,715	6,840	4,586	5,219
Extraordinary items	**953**	—	7,379	—	—
	$ 11,325	$ 9,715	$ 14,219	$ 4,586	$ 5,219
Per common share (dollars)					
Earnings before extraordinary items	**$ 2.07**	$ 2.01	$ 1.50	$ 1.03	$ 1.18
Earnings after extraordinary items	**2.26**	2.01	3.11	1.03	1.18
Dividends-declared	**0.90**	0.75	0.72½	0.60	0.60
-paid	**0.85**	0.82½	0.60	0.60	0.60
Book value	**16.13**	16.27	15.20	12.00	11.60
Market value-class A common-high	**22⅝**	23⅜	16¼	11½	12⅞
-low	**$ 14**	$ 15⅜	$ 9¼	$ 7¼	$ 8⅞
Return on average common equity	**13.0%**	13.1%	11.1%	8.1%	9.1%
Average number of common shares outstanding	**5,021**	4,828	4,571	4,441	4,433
Number of shareholders, at year end	**8.6**	9.1	9.9	10.4	18.3
BORROWINGS AND CAPITAL STRUCTURE					
Secured debt of the Company	**$ 545,692**	$ 419,880	$348,602	$320,387	$321,278
Debt of consolidated subsidiaries	**21,407**	13,160	12,304	11,319	15,271
	567,099	433,040	360,906	331,706	336,549
Debentures	**78,781**	58,003	49,508	44,329	44,648
Preferred stock	**13,864**	14,304	14,721	20,239	20,885
Common stock and surplus	**80,973**	78,785	69,717	53,496	53,580
	$ 173,618	$ 151,092	$133,946	$118,064	$119,113
Ratio	**3.3:1**	2.9:1	2.7:1	2.8:1	2.8:1
Bank lines of credit					
Traders Group Limited	**$ 200,500**	$ 143,000	$123,000	$111,750	$116,750
Consolidated Subsidiaries	**$ 12,625**	$ 10,800	$ 10,550	$ 5,775	$ 4,250
FINANCE RECEIVABLES ACQUIRED					
Direct cash loans	**$ 137,389**	$ 131,424	$106,187	$ 90,153	$ 87,653
Retail instalment					
Consumer	**307,887**	210,252	158,430	134,816	169,472
Industrial	**112,866**	72,768	56,158	54,806	58,879
Commercial loans	**12,995**	2,354	8,001	19,553	10,606
Leasing	**29,692**	31,702	11,958	—	—
Factoring and commercial financing	**301,974**	269,094	219,995	165,510	152,301
Wholesale	**459,456**	365,724	313,522	233,321	255,645
	$1,362,259	$1,083,318	$874,251	$698,159	$734,556

	1973	1972	1971	1970	1969
FINANCE RECEIVABLES OUTSTANDING					
Direct cash loans	**$139,258**	$124,916	$102,477	$ 88,184	$ 78,047
Retail instalment					
Motor vehicles	**142,055**	122,693	111,010	119,163	135,810
Mobile homes	**44,292**	24,899	12,300	7,978	7,141
Residential mortgages and home improvement	**130,601**	90,586	75,600	67,715	62,938
Miscellaneous consumer	**31,682**	18,491	16,068	13,980	14,801
Industrial and commercial equipment	**121,220**	84,932	74,859	75,726	73,688
Commercial loans	**23,494**	19,680	25,984	32,685	37,939
Leasing	**62,857**	37,528	11,871	—	—
Factoring and commercial financing	**40,294**	40,155	31,263	24,115	23,207
Wholesale					
Motor vehicles	**60,990**	54,341	53,013	38,043	45,764
Other	**32,071**	11,860	9,610	6,132	4,151
	$828,814	$630,081	$524,055	$473,721	$483,486
Unearned finance charges	**$105,368**	$ 77,101	$ 55,589	$ 48,809	$ 44,627
Allowance for credit losses	**$ 13,407**	$ 12,596	$ 10,011	$ 9,735	$ 8,368
Net losses as % of avg. finance receivables	**0.57%**	0.64%	1.09%	0.86%	0.71%
GENERAL INSURANCE					
Gross premiums written	**$ 32,205**	$ 29,711	$ 31,668	$ 35,742	$ 32,595
Net premiums earned					
Automobile	**17,337**	17,573	21,195	20,599	19,426
Casualty	**4,719**	4,442	4,098	3,767	3,672
Property	**6,537**	5,384	4,843	5,033	5,232
	$ 28,593	$ 27,399	$ 30,136	$ 29,399	$ 28,330
Net contribution to Traders	**$ 1,401**	$ 1,030	$ (192)	$ (853)	$ 989
Losses to earned premiums	**65.0%**	67.1%	76.3%	75.4%	63.8%
Other expenses to written premiums	**33.7%**	35.5%	36.2%	33.3%	33.4%
Combined ratio	**98.7%**	102.6%	112.5%	108.7%	97.2%
LIFE AND DISABILITY INSURANCE					
Life insurance in force					
Individual	**$ 14,135**	$ 14,882	$ 15,791	$ 11,714	$ 8,549
Group term	**88,850**	105,449	90,591	67,103	23,623
	102,985	120,331	106,382	78,817	32,172
Gross premiums written	**4,367**	3,689	2,937	2,120	1,737
Net premiums earned					
Life	**1,000**	850	738	641	326
Disability	**2,484**	2,120	1,780	1,231	1,143
	3,484	2,970	2,518	1,872	1,469
Policy holder benefits	**2,245**	1,817	1,730	1,082	721
Net contribution to Traders	**$ 359**	$ 171	$ —	$ —	$ —
Net rate of interest earned	**6.84%**	7.09%	7.14%	6.73%	5.36%

Bankers
Traders Group Limited

In Canada

Bank of British Columbia
Bank of Montreal
Banque Canadienne Nationale
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Mercantile Bank of Canada
The Provincial Bank of Canada
The Royal Bank of Canada
The Toronto-Dominion Bank
Unity Bank of Canada

In the United States

Bank of America
Bankers Trust Company
Chemical Bank
Continental Illinois National Bank & Trust Company of Chicago
Crocker National Bank
First National City Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank-New York
Marine Midland Bank-Western
Mellon Bank, National Association
National Bank of Detroit
New Jersey Bank, National Association
Security Pacific National Bank
Swiss Bank Corporation
The First National Bank of Chicago
Union Bank
United California Bank
Wells Fargo Bank, National Association

Total bank lines

Traders Group Limited	
Canadian Banks	$112,500,000
Banks in the U.S.A.	88,000,000
	200,500,000
Subsidiaries	12,625,000
	$213,125,000

Branch Locations

Traders Group Limited and Consolidated Subsidiaries

Alberta (17)
Calgary (4)
Drumheller
Edmonton (5)
Grande Prairie (2)
Lethbridge
Medicine Hat
Peace River
Ponoka
Red Deer

British Columbia (17)
Dawson Creek
Fort St. John
Kamloops (2)
Nanaimo
New Westminster
North Surrey
Penticton
Prince George (2)
Terrace
Vancouver (4)
Victoria
Williams Lake

Manitoba (4)
Brandon
Winnipeg (3)

New Brunswick (13)
Bathurst
Campbellton
Chatham
Florenceville
Fredericton (2)
Moncton (2)
Newcastle
Saint John (3)
Woodstock

Newfoundland (6)
Corner Brook
Gander
St. John's (3)
Stephenville

Nova Scotia (25)
Amherst
Antigonish
Bedford
Bridgewater
Dartmouth (2)
Digby
Halifax (6)
Kentville
Liverpool
New Glasgow
New Minas
Port Hawkesbury
Shelbourne
Sydney (2)
Sydney Mines
Truro
Yarmouth
Windsor

Ontario (80)
Ajax
Aurora
Barrie
Belleville
Blenheim
Brampton
Brantford
Burlington
Chatham
Chelmsford
Cooksville
Cornwall
Goderich
Guelph
Hamilton (6)
Kapuskasing
Kenora
Kingston
Kitchener (2)
London (5)
Newmarket
Niagara Falls
North Bay
Oshawa
Ottawa (5)
Owen Sound
Pembroke
Peterborough (2)
Richmond Hill
Sarnia
Sault Ste. Marie
St. Catharines
Simcoe
Stouffville
Stratford
Sudbury (5)
Thunder Bay (3)
Timmins
Toronto (15)
Vanier
Wallaceburg
Waterloo
Welland
Windsor (2)

Prince Edward Island (3)
Charlottetown (2)
Summerside

Québec (38)
Alma
Chicoutimi (2)
Dolbeau
Granby
Hauterive
Hull (2)
Lévis
Matane
Mont Laurier
Montréal (10)
Pointe Claire
Québec (7)
Rimouski
Rouyn
St-Jean
Ste-Thérèse
Sept-Iles
Sherbrooke (2)
Thetford Mines
Trois-Rivières

Saskatchewan (5)
North Battleford
Prince Albert
Regina
Saskatoon
Swift Current

Yukon Territory (1)
Whitehorse

TOTAL 209

Traders Group Limited

Head Office
625 Church Street
Toronto, Ontario
M4Y 2G1

Auditors
Price Waterhouse & Co.
Chartered Accountants
Toronto, Ontario

Share Transfer Agents and Registrars
Guaranty Trust Company of Canada,
Toronto, Montreal, Winnipeg,
Calgary, Vancouver

Bank of Montreal Trust Company
New York, N.Y.

Trustees
Collateral Trust Notes—
The Royal Trust Company
Toronto, Ontario

Debentures—
The Canada Trust Company
Toronto, Ontario

Stock Exchange Listings
(Symbol: TG)

Toronto Stock Exchange
Montreal Stock Exchange
Vancouver Stock Exchange

TRADERS
GROUP LIMITED
ANNUAL REPORT 1973

TRADERS GROUP LIMITED

Report for the
6 months ended
June 30, 1973

AR09

President's Report to Shareholders

Traders Group Limited reports a 24 percent profit improvement during the first half of 1973 and a 25 percent increase in the quarterly dividend rate to shareholders.

Earnings available to common shareholders in the first six months of this year increased to $5,804,000 or $1.16 a share, before an extraordinary item, up from $4,677,000 or 98 cents a share a year earlier.

An extraordinary item of $926,000 or 18 cents a share resulted from the sale in the first quarter to the Royal Bank of Canada of an equity position in Aetna Factors Corporation Ltd., a Traders subsidiary. We have already reported to you more fully upon that sale. There were no extraordinary items in the first half of 1972.

Traders quarterly dividend was increased to 25 cents per common share, from 20 cents a share, effective with the payout October 1, 1973. The new annual dividend rate has thereby been increased to $1.00 a share from 80 cents.

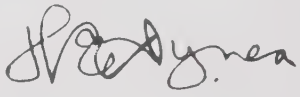
The Finance Group recorded a satisfactory 12 percent improvement in profit, to $3,431,000 compared with $3,063,000 a year earlier. This is a noteworthy achievement, since it was accomplished in spite of significantly higher money costs.

The Canadian General Insurance Group continued to improve its performance. The general insurance companies and the recently acquired Income Disability and Reinsurance Company of Canada provided a profit contribution of $939,000 compared with $650,000 a year earlier. This increase is a direct result of a much improved underwriting operation.

The Land Development Division had an increase in profit to $855,000 from $334,000. The timing of profits in land development is irregular, subject to closing of complex transactions. While continued profit improvement is planned in the division for the balance of 1973, the profit increase will not be as large.

Higher interest costs are reflected in the slight decline in Traders share of profit from Guaranty Trust, to $1,005,000 from $1,074,000 a year ago.

The dividend increase reflects the confidence of your directors and management in the Company and the expectation that the excellent performance will continue.



August 17, 1973

H. E. Dynes
President

Earnings Highlights

	Six Months Ended June 30		Three Months Ended June 30	
	1973	1972	1973	1972
Net Income ($000's)				
Finance	$3,431	$3,063	$1,631	$1,348
Land Development	855	334	556	296
Insurance	939	650	713	452
Guaranty Trust	1,005	1,074	515	625
	6,230	5,121	3,415	2,721
Preferred Dividends	426	444	210	222
	5,804	4,677	3,205	2,499
Extraordinary Item	926	—	—	—
	$6,730	$4,677	$3,205	$2,499
Earnings Per Common Share				
before extraordinary item	$1.16	$0.98	$0.64	$0.53
after extraordinary item	$1.34	$0.98	$0.64	$0.53
Dividends Per Common Share	$0.40	$0.35	$0.20	$0.17½
Common Shares				
Monthly average outstanding (000)	5,021	4,784		

Operating Highlights

	Six Months Ended June 30	
	1973	1972
Finance Receivables Acquired ($000's)		
Direct Cash Loans	$ 66,930	$ 60,255
Retail Instalment		
Motor Vehicle*	66,098	58,538
Mobile Home	12,605	7,325
Residential Mortgage & Home Improvement	31,181	18,995
Industrial & Commercial Equipment	39,474	32,682
Miscellaneous	16,229	13,304
Commercial Loans	545	1,464
Leasing	7,695	24,723
Factoring & Commercial Financing	140,034	125,399
Wholesale	228,849	178,454
	$609,640	$521,139
Insurance Premiums ($000's)		
Written	$ 17,828	$ 15,926
Earned	$ 15,671	$ 14,814

	June 30	
	1973	1972
Finance Receivables Outstanding ($000's)		
Direct Cash Loans	$129,438	$110,968
Retail Instalment		
Motor Vehicle*	133,014	118,348
Mobile Home	32,219	16,969
Residential Mortgage & Home Improvement	102,697	80,423
Industrial & Commercial Equipment	93,816	78,728
Miscellaneous	20,388	16,442
Commercial Loans	16,400	20,763
Leasing	43,713	33,675
Factoring & Commercial Financing	39,443	36,249
Wholesale	77,866	65,192
	$688,994	$577,757
Branch Locations		
Finance	190	183
Insurance	16	17
	206	200
Employees		
Finance	1,661	1,593
Insurance	412	450
	2,073	2,043

**Includes Heavy Duty Trucks*

Condensed Consolidated Balance Sheet ($000's)

Traders Group Limited and Subsidiary Companies

ASSETS

	June 30 1973	Dec. 31 1972	June 30 1972
CASH	$ 13,429	$ 13,651	$ 7,950
RECEIVABLES—including $319,549 maturing within one year; (June 30, 1972—$299,038)			
Finance			
Retail Instalment	391,738	360,397	330,982
Loans	175,677	165,275	147,908
Leasing	43,713	37,528	33,675
Wholesale	77,866	66,201	65,192
	688,994	629,401	577,757
Receivables of Insurance Subsidiaries	7,848	7,000	7,305
Loans to Associated Companies	18,544	18,492	17,941
Other Receivables	5,760	6,573	5,472
	721,146	661,466	608,475
Less—Allowance for Credit Losses	13,781	12,596	11,148
	707,365	648,870	597,327
INVENTORIES OF SUBSIDIARIES	7,302	9,083	8,388
INVESTMENTS			
Investments in Associated Companies			
Guaranty Trust Company of Canada	21,749	20,852	20,334
Other	1,538	1,379	1,210
Investment Portfolios of Insurance Subsidiaries, at cost	47,994	47,048	43,294
	71,281	69,279	64,838
FIXED ASSETS—at cost, less accumulated depreciation of $4,387; (June 30, 1972—$4,318)	5,448	5,536	5,598
OTHER ASSETS	4,388	4,608	4,467
	$809,213	$751,027	$688,568

LIABILITIES

	June 30 1973	Dec. 31 1972	June 30 1972
Payables and Accrued Charges	$ 48,016	$ 46,253	$ 51,350
Insurance Claims	24,821	25,697	22,672
	72,837	71,950	74,022
Deferred Income Taxes	7,505	3,849	637
Unearned Income			
Finance Charges	84,525	77,101	68,268
Insurance Premiums	13,833	13,127	12,279
	98,358	90,228	80,547
Secured Debt			
Due within one year			
Short Term Debt			
of the Company	168,683	135,121	128,187
of Subsidiaries	3,617	4,005	3,525
Medium and Long Term Debt			
of the Company	27,520	34,180	22,511
of Subsidiaries	229	1,170	1,019
	200,049	174,476	155,242
Due beyond one year			
of the Company	257,205	250,579	233,567
of Subsidiaries	2,236	2,360	2,849
	259,441	252,939	236,416
	459,490	427,415	391,658
Unsecured Debt of Subsidiaries			
Due within one year	5,402	5,089	3,895
Due beyond one year	499	536	660
	5,901	5,625	4,555
Debentures of the Company			
Due within one year	800	4,470	7,595
Due beyond one year	65,748	53,533	41,362
	66,548	58,003	48,957
Minority Interest in Subsidiaries	1,112	868	786
Capital and Surplus			
Preferred Shares	14,122	14,304	14,670
Common Shares	33,401	33,397	29,865
Surplus	49,939	45,388	42,871
	$ 97,462	93,089	87,406
	$809,213	$751,027	$688,568

Condensed Consolidated Statement of Income ($000's)

Traders Group Limited and Subsidiary Companies

	Six Months Ended	
	June 30 1973	June 30 1972
Revenues		
Gross income from operations	$ 63,193	$ 50,839
Investment income	2,370	2,221
Gain on sale of securities	193	745
	65,756	53,805
Expenses		
Cost of borrowed funds	17,662	15,021
Provision for credit losses	2,721	2,524
Insurance claims	9,464	9,107
Other direct charges	7,695	3,874
General and administrative expenses (including depreciation)	16,533	14,916
	54,075	45,442
Income before income taxes and minority interest	11,681	8,363
Income taxes (current and deferred)	5,335	3,191
Income before minority interest	6,346	5,172
Minority interest	116	51
Net income for the period before extraordinary item	6,230	5,121
Extraordinary item	926	—
Net income for the period after extraordinary item	$ 7,156	$ 5,121

Condensed Consolidated Statement of Surplus ($000's)

Traders Group Limited and Subsidiary Companies

	Six Months Ended	
	June 30 1973	June 30 1972
Balance at beginning of period	$ 45,388	$ 39,883
Adjustments arising during the period	(171)	(15)
	45,217	39,868
Net income for the period	7,156	5,121
Less—Interest on income funding rights and dividends on preferred shares	426	444
Earnings available for common shares	6,730	4,677
Dividends on common shares	2,008	1,674
Earnings retained during the period	4,722	3,003
Balance at end of period	$ 49,939	$ 42,871

Directors

G. R. Chater, Chairman of the Board, President, Grafton Group Limited
S. C. Cooper, President and General Manager, C. A. Pitts Engineering Construction Limited
H. N. Crawford, Senior Vice President
H. E. Dynes, President
E. W. Flanagan, Senior Vice President
R. O. Hedlin, Chairman of the Board, Hedlin, Menzies & Associates Ltd.
J. C. Lockwood, President, Lever Brothers Limited
G. C. MacDonald, President, McLeod, Young, Weir & Company Limited
J. W. McCutcheon, Partner, Shibley, Righton & McCutcheon
D. A. McIntosh, Q.C., Partner, Fraser & Beatty
B. H. Rieger, Vice President, Canadian Corporate Management Co. Ltd.
H. C. Rynard, President, Acres Limited
A. Sarlos, President, MerBan Capital Corporation Limited
G. R. Sharwood, President and Chief Executive Officer, Guaranty Trust Company of Canada
R. L. Sheard, Chairman and Chief Executive Officer, General Appraisal of Canada Limited
D. I. Webb, Financial Consultant

Chairman of the Board
G. R. Chater

President and Chief Executive Officer
H. E. Dynes

Senior Vice Presidents

G. C. Brain, Finance
H. N. Crawford
E. W. Flanagan
L. C. Wright

Vice President and Controller
D. F. Pols

Vice President, Secretary and General Counsel
G. E. Whitley

Treasurer
E. A. A. Wighton

Executive Offices—625 Church St., Toronto Ontario M4Y 2G1

M. Suhl, President
Aetna Factors Corporation Ltd.

R. E. Bethell, President
Canadian General Insurance Company

Bankers—Traders Group Limited

Canada

Bank of British Columbia
Bank of Montreal
Banque Canadienne Nationale
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Mercantile Bank of Canada
The Provincial Bank of Canada
The Royal Bank of Canada
The Toronto Dominion Bank

United States

Bank of America
Bankers Trust Company
Chemical Bank
Continental Illinois National Bank & Trust Company of Chicago
Crocker National Bank
First National City Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank—New York
Marine Midland Bank—Western
Mellon Bank, National Association
National Bank of Detroit
New Jersey Bank, National Association
Security Pacific National Bank
Swiss Bank Corporation
The First National Bank of Chicago
Union Bank
United California Bank
Wells Fargo Bank, National Association

Total Bank Lines
At June 30, 1973—Traders Group Limited—$171 Million
Finance Subsidiaries —$ 8 Million



625 Church Street, Toronto, Ontario M4Y 2G1

Dividend Notice

Dividends have been declared as follows for the quarter ending September 30, 1973, payable October 1, 1973 to shareholders of record September 7, 1973.

	Per Share
4½% Preferred Shares	$1.12½
5% Preferred Shares	$0.50
5% Preferred Shares, Series A	$0.37½
$2.16 Preferred Shares, Series B	$0.54
Class A and Class B Common Shares	$0.25

TRADERS GROUP LIMITED

PRELIMINARY REPORT
TO SHAREHOLDERS
For the year ended
DECEMBER 31, 1973

President's Report to Shareholders

Earnings available for common shares, before extraordinary items, increased to a new high of $10,372,000 or $2.07 per common share. This was achieved despite substantially increased borrowing costs, particularly in the second half of the year.

The increased cost of funds to the Finance Group created pressure on profit margins. This adverse pressure was largely offset by increased receivables.

In addition, upward adjustments in some lending rates were gradually introduced as new business was written in the latter half of the year.

Your company's share of profits from Guaranty Trust Company of Canada declined in 1973, also as a result of sharply higher interest rates paid for funds by the trust company.

The Canadian General Insurance Group and the Land Development Division both continued their excellent performances and made significantly improved profit contributions.

Consolidated Earnin

	Year		1st
	1972	1973	
Total consolidated income	$ 114,783	$ 135,925	$26,156
Borrowing costs	(31,049)	(40,633)	(7,429)
Administrative and other expenses	(65,786)	(75,042)	(14,641)
Income before taxes and minority interest	17,948	20,250	4,086
Income taxes and minority interest	7,354	9,035	1,686
Net income before extraordinary items	$ 10,594	$ 11,215	$ 2,400
Net income by source			
Finance	$ 6,450	$ 6,470	$ 1,715
Land Development	843	1,537	38
Canadian General Insurance Group	1,201	1,760	198
Guaranty Trust Company of Canada	2,100	1,448	449
	10,594	11,215	2,400
Extraordinary items	—	953	—
Net income	10,594	12,168	2,400
Preferred dividends	879	843	222
Earnings available for common shares	$ 9,715	$ 11,325	$ 2,178
Average number of common shares outstanding	4,828,019	5,020,932	
Earnings per common share			
Before extraordinary items	$ 2.01	$ 2.07	$ 0.45
After extraordinary items	2.01	2.26	0.45
Dividends per common share	0.75	0.90	0.17½

UP LIMITED

The substantial borrowing rate increases experienced during 1973 appear to have abated. In recent weeks there has been a slight downward trend in short term rates. Further reductions in the current high cost of such funds would reflect favourably on the earnings of both the Finance Group and those of Guaranty Trust.

Shareholders are cordially invited to attend the Annual Meeting, to be held on May 16, 1974, in Toronto at the Royal York Hotel, in the Territories Room, beginning at 11:00 a.m.



H. E. DYNES
President

March 8, 1974

Summary ($000)

1972 Quarterly Results			1973 Quarterly Results			
2nd	3rd	4th	1st	2nd	3rd	4th
27,649	$27,820	$33,158	$31,600	$34,156	$32,657	$37,512
(7,592)	(7,808)	(8,220)	(8,512)	(9,150)	(10,363)	(12,608)
(15,780)	(15,169)	(20,196)	(17,764)	(18,649)	(17,540)	(21,089)
4,277	4,843	4,742	5,324	6,357	4,754	3,815
1,556	2,029	2,083	2,509	2,942	2,214	1,370
2,721	$ 2,814	$ 2,659	$ 2,815	$ 3,415	$ 2,540	$ 2,445
1,348	$ 1,761	$ 1,626	$ 1,800	$ 1,631	$ 1,756	$ 1,283
296	241	268	299	556	134	548
452	340	211	226	713	367	454
625	472	554	490	515	283	160
2,721	2,814	2,659	2,815	3,415	2,540	2,445
—	—	—	926	—	—	27
2,721	2,814	2,659	3,741	3,415	2,540	2,472
222	219	216	216	210	210	207
2,499	$ 2,595	$ 2,443	$ 3,525	$ 3,205	$ 2,330	$ 2,265
0.53	$ 0.54	$ 0.49	$ 0.52	$ 0.64	$ 0.47	$ 0.44
0.53	0.54	0.49	0.70	0.64	0.47	0.45
0.17½	0.20	0.20	0.20	0.20	0.25	0.25

DIVIDEND NOTICE

Dividends have been declared for the quarter ending March 31, 1974, payable April 1, 1974, to shareholders of record March 15, 1974.

	Per Share
4½% Preferred Shares	$1.12½
5% Preferred Shares	$0.50
5% Preferred Shares, Series A	$0.37½
$2.16 Preferred Shares, Series B	$0.54
Class A and Class B Common Shares	$0.25

TRADERS GROUP LIMITED

625 Church Street, Toronto, Ontario M4Y 2G1

AR09

FILE

This offer is not and under no circumstances is to be construed as an offer to any resident of the United States of America or of any of the territories or possessions thereof.

TRADERS GROUP LIMITED

(incorporated under the laws of Canada)

November 30, 1973.

TO HOLDERS OF SHARES OF GUARANTY TRUST COMPANY OF CANADA

Traders Group Limited ("Traders") owns 1,882,309 shares representing 42.35% of the shares with a par value of Two Dollars ($2.00) each ("shares") of Guaranty Trust Company of Canada ("Guaranty Trust") issued and outstanding. Traders now wishes to acquire additional shares of Guaranty Trust. Accordingly, Traders hereby offers to purchase, subject to the terms and conditions hereinafter set forth, a further 340,000 shares, representing 7.65%, of the issued capital stock of Guaranty Trust at a price of Fourteen Dollars ($14) per share. For any such shares deposited by December 21, 1973, the price will be increased by fourteen cents (14¢) per share to compensate for the dividend to be paid on January 15, 1974 to shareholders of record on December 31, 1973.

TERMS AND CONDITIONS

1. Period and Manner of Acceptance

A holder of shares of Guaranty Trust may accept this Offer only by depositing, on or before December 21, 1973, (such date or the date to which this Offer may be extended being herein called "the time of expiry"), with Guaranty Trust at any one of the following addresses:

540 Burrard Street, Vancouver
10010 Jasper Ave., Edmonton
311 Eighth Ave. W., Calgary
2020 - 11th Ave., Regina
430 Portage Ave., Winnipeg
88 University Ave., Toronto
427 St. James St. W., Montreal

a certificate or certificates representing shares of Guaranty Trust accompanied by a duly completed and signed Letter of Transmittal in the form enclosed. Such certificate(s) must be duly endorsed in blank for transfer or accompanied by an appropriate stock transfer power duly executed in blank with signature guaranteed in either case by a Canadian chartered bank or trust company or by a firm having membership in a recognized stock exchange or in some other manner satisfactory to Guaranty Trust.

2. Conditions

This Offer shall not become binding on Traders unless certificates representing 340,000 shares are deposited on or before the time of expiry in the manner herein provided. In addition, Traders shall have the right to withdraw this Offer if, subsequently to the date hereof, the board of directors of Guaranty Trust takes any action which materially changes the undertakings, assets or capital of Guaranty Trust.

The foregoing conditions are for the exclusive benefit of Traders and may be waived in whole or in part by Traders at any time.

3. Payment

Payment for the shares of Guaranty Trust taken up by Traders pursuant to the provisions hereof shall be made within ten (10) days of the time of expiry by mailing to each holder of Guaranty Trust shares accepting this Offer, at his address given in the Letter of Transmittal, a cheque payable without charge at any branch in Canada of a Canadian chartered bank for the full amount of the purchase price of the shares tendered by such holder. However, in the case of shares deposited by December 21, 1973, payment will be mailed not later than December 31, 1973.

4. Right of Withdrawal

Any shares of Guaranty Trust deposited pursuant to this Offer may be withdrawn by or on behalf of the depositor at any time until the expiration of ten (10) days from the date of this Offer.

5. Security Transfer Tax

Traders will pay security transfer tax, if any, in respect of the transfer to it of Guaranty Trust shares pursuant to this Offer.

6. Shares to be Taken up Pro Rata

In the event that more than 340,000 shares of Guaranty Trust are deposited on or before the time of expiry in the manner herein provided, Traders may either (a) take up all such shares or (b) take up less than all but not less than 340,000 of such shares as nearly as may be pro rata, disregarding fractions, according to the number of shares deposited by each holder of such shares accepting this Offer.

7. Extension of Offering Period

Traders reserves the right to extend the time within which shares may be deposited pursuant to this Offer, provided that such period, as extended, shall not exceed thirty-five (35) days from the date hereof.

8. Commissions

No commissions or brokerage fees will be charged to shareholders depositing their shares. A commission of fifteen cents (15¢) per share will be paid by Traders to dealers for shares purchased as a result of their solicitations.

9. Use of Mails

Shareholders who wish to effect deposit of their certificates by mail are advised, for their own protection, to use first class registered mail.

TRADERS GROUP LIMITED

By: E. W. FLANAGAN
Senior Vice-President

By: E. A. A. WIGHTON
Treasurer

Circular

This Circular accompanies the Offer dated November 30, 1973, (the "Offer") by Traders Group Limited ("Traders") to acquire shares of Guaranty Trust Company of Canada ("Guaranty Trust"). Payment for shares with a par value of $2 each ("shares") of Guaranty Trust taken up pursuant to the Offer will be made by cheque to be mailed within ten (10) days of December 21, 1973, or such date to which the Offer may be extended ("the time of expiry"). However, in the case of shares deposited by December 21, 1973, payment will be mailed not later than December 31, 1973. Any such shares deposited pursuant to the Offer may be withdrawn by or on behalf of the depositor until the expiry of ten (10) days from the date of the Offer.

Traders will have available, at the time of payment, through existing cash balances and/or banking accommodation, sufficient funds to take up and pay for the shares of Guaranty Trust covered by the Offer.

The offer shall not become binding on Traders unless certificates representing 340,000 shares are deposited on or before the time of expiry. In addition, Traders shall have the right to withdraw this Offer if, subsequently to the date hereof, the board of directors of Guaranty Trust takes any action which materially changes the undertakings, assets or capital of Guaranty Trust. These conditions are for the exclusive benefit of Traders and may be waived in whole or in part by Traders at any time.

In the event that more than 340,000 shares of Guaranty Trust are deposited on or before the time of expiry, Traders may either (a) take up all such shares or (b) take up less than all but not less than 340,000

of such shares as nearly as may be pro rata, disregarding fractions, according to the number of such shares deposited by each holder thereof accepting the Offer.

The following are particulars of the securities of Guaranty Trust beneficially owned, directly or indirectly, or traded, during the six-month period preceding the date of the Offer, by Traders or any of its associates, by directors or senior officers of Traders or any of their respective associates or by any person or company known to the directors or senior officers of Traders to own beneficially, directly or indirectly, equity shares of Traders carrying more than ten per cent (10%) of the voting rights attached to all of the outstanding equity shares of Traders:

	No. of Guaranty Trust Shares Owned
DIRECTORS OF TRADERS	
G. R. Chater	1,000
H. E. Dynes	250
J. W. McCutcheon	300
A. Sarlos	6,000
G. R. Sharwood	6,000
D. I. Webb	1,000
SENIOR OFFICER OF TRADERS	
L. C. Wright	991
COMPANIES OWNING MORE THAN 10% OF EQUITY SHARES OF TRADERS	
Canadian General Securities Limited	nil
Acres Limited and subsidiary	
Acres Limited — 7,843	
Acres Leasing Services Limited — 6,300	14,143

ACRES LEASING SERVICES LIMITED

1973 Dates	No. of Guaranty Trust Shares Purchased	Price Per Share
July 26	400	$12.28
26	100	12.28
26	300	12.28
27	500	12.28
27	4,800	12.28
27	100	12.28
27	100	12.28

TRADERS GROUP LIMITED

1973 Dates	No. of Guaranty Trust Shares Purchased	Price Per Share
June 1	500	$11.50
4	300	11.50
	700	11.75
5	2,800	11.50
6	700	11.75
	2,800	11.875
13	5,100	12.00
15	100	12.00
	10,000	12.125
19	10,000	12.25
July 5	5,400	$12.00
6	3,500	12.00
10	1,900	12.00
11	2,100	12.00
12	1,300	12.00
13	1,500	12.00
16	275	12.00
20	500	12.00
23	100	12.00
Nov. 6	1,000	$11.25
	200	11.50
7	2,300	11.50

1973 Dates	No. of Guaranty Trust Shares Purchased	Price Per Share
Nov. 8	100	$11.50
	1,300	11.625
13	800	11.625
	1,800	11.75
14	1,100	11.50
15	1,600	11.50
	800	11.75
19	300	11.50
	1,500	11.75
20	600	11.50
	800	11.75

Traders has purchased and intends to continue to purchase shares of Guaranty Trust in the market. Traders shall not, however, reduce the number of shares which it is bound to take up pursuant to the Offer by the number of shares so purchased.

Traders has been informed that during the six-month period preceding the date of the Offer, the volume of trading and price range of the shares of Guaranty Trust were as follows:

TORONTO STOCK EXCHANGE

Month	Volume	High	Low
May, 1973	16,100	$12¼	$11¼
June	26,200	12¾	11½
July	29,900	12½	12
August	13,400	12¼	10⅝
September	10,800	12	10⅞
October	38,500	13	10⅝
1-22 November	23,021	11⅞	11½

No arrangement or agreement which by its terms is conditional upon the success of the Offer has been made or is proposed to be made between Traders and any of the directors or senior officers of Guaranty Trust.

No information is known to Traders that indicates any material change in the financial position or prospects of Guaranty Trust since the date of the last published financial statement of Guaranty Trust.

Right of Rescission by Shareholder Accepting Offer

Section 100a of The Securities Act (Ontario), Section 99.1 of The Securities Act (Manitoba) and Section 99.1 of The Securities Act (Alberta) provide in effect that in addition to any other right an offeree may have at law, an offeree who is a party to a contract resulting from a take-over bid has a right to rescind the contract if the take-over bid circular received by the offeree, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made; no action shall be commenced to enforce this right after the expiration of ninety (90) days from the later of the date of such contract or the date on which such circular or an amended circular is received or is deemed to be received by the offeree.

The contents of this Circular have been approved and the delivery thereof authorized by the directors of Traders.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the take-over bid made by this Circular as required by Part IX of The Securities Act (Ontario), Sections 95 and 97 of The Securities Act (Manitoba), Sections 95 and 97 of The Securities Act (Alberta) and Sections 113 to 138 of The Securities Act (Quebec) and the respective regulations thereunder.

DATED November 30, 1973.

E. W. FLANAGAN
Senior Vice-President

E. A. A. WIGHTON
Treasurer

On behalf of the Board of Directors

B. H. RIEGER
Director

R. O. HEDLIN
Director

Please read carefully the Instructions appearing on the reverse side hereof before signing this Letter of Transmittal.

LETTER OF TRANSMITTAL

To be completed and accompanied by certificates for shares of
Guaranty Trust Company of Canada

TO: GUARANTY TRUST COMPANY OF CANADA
(For appropriate address,
see item 4 of Instructions
on reverse side)

and TO: TRADERS GROUP LIMITED

Dear Sirs:

The undersigned hereby accepts the offer (the "Offer") of Traders Group Limited dated November 30, 1973 addressed to the holders of shares with a par value of $2 each of Guaranty Trust Company of Canada ("Guaranty Trust") and hereby delivers to and deposits with you, subject to the conditions of the Offer, the following certificate(s) for shares of Guaranty Trust registered as indicated below:

Certificate Number(s)	Name in which Registered	Number of Shares
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
	Total	.....

(NOTE: If space is inadequate, certificate numbers and numbers of shares may be listed on a separate schedule affixed hereto, but the total number(s) of shares should be shown in the above space(s).)

The undersigned warrants that the undersigned has the absolute right to sell the above-mentioned shares of Guaranty Trust in accordance with the Offer and that the undersigned has good title thereto free and clear of encumbrances.

If any certificate delivered to you herewith is not considered by Guaranty Trust to be in negotiable condition (duly endorsed in blank for transfer, or accompanied by the appropriate stock transfer power duly executed in blank, in either case with signature guaranteed in accordance with the instructions on the reverse side) the acceptance by the undersigned of the Offer shall be complete with regard to the shares represented by the remaining certificate(s), if any, and Guaranty Trust is to remit the defective certificate to the undersigned for correction. The defective certificate shall not be regarded as having been deposited in accordance with the terms of the Offer until corrected and returned.

Upon Traders Group Limited becoming bound to acquire all or any of the shares represented by the above listed certificate(s) payment for such shares shall be made by the issuance and delivery, in accordance with the instructions for issuance and delivery given below, of a cheque in full payment of the acquisition price.

If any of the shares deposited herewith are not purchased pursuant to the Offer, the certificates for such shares must be returned by registered mail in accordance with the instructions for return given below.

Receipt of the Offer and the Circular is hereby acknowledged.

DATED the day of December, 1973.

Issuance of cheque in name of
(please print)

.....

.....
(Street Address or P.O. Box)

.....
(City, Province or State, Country)

Name and Address of Dealer or Broker soliciting acceptance

Return of share certificate
(indicate alternative desired)

☐ To same address as for issuance of cheque.

☐ To the following address:

.....
(Name)

.....
(Street Address or P.O. Box)

.....
(City, Province or State or Country)

Date: , 1973.

X.....
Signature

(Signature of shareholder—please also print name below)

INSTRUCTIONS

1. This Letter of Transmittal, duly filled in, signed and accompanied by the share certificate(s) to be surrendered, should be delivered or forwarded to Guaranty Trust at any of its offices listed below so as to reach it not later than December 21, 1973. Every share certificate to be surrendered must be duly endorsed by the registered holder in blank for transfer or accompanied by an appropriate stock transfer power duly executed in blank, with signature guaranteed in either case by a Canadian chartered bank or trust company or by a firm having membership in a recognized stock exchange, or in some other manner satisfactory to Guaranty Trust.

2. The certificate(s) must be endorsed or the stock transfer power executed in exactly the same manner as the shares are registered. If the share certificate(s), stock transfer power or this Letter of Transmittal are endorsed or executed, as the case may be, by an officer on behalf of a corporation, or by an executor, administrator, trustee, guardian, attorney, agent or other person acting in a fiduciary or representative capacity, proper documentary evidence, satisfactory to Guaranty Trust must be furnished as to the authority of the person executing the same.

3. The method of delivery of this Letter of Transmittal and the certificate(s) for shares is at the option and risk of the holder, but delivery will be effected only when such documents are actually received by Guaranty Trust at one of its offices listed below. It is advisable that all documents be either delivered or sent by first-class registered mail.

4. Offices of Guaranty Trust for delivery of this Letter of Transmittal and all certificates representing shares are as follows:

540 Burrard Street, Vancouver
10010 Jasper Ave., Edmonton
311 Eighth Ave. W., Calgary
2020-11th Ave., Regina
430 Portage Ave., Winnipeg
88 University Ave., Toronto
427 St. James St. W., Montreal

AR09

FILE

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

New Issue

$12,500,000

TRADERS GROUP LIMITED

9% Debentures

(Unsecured)

To be dated: October 15, 1973

To mature: October 15, 1993

The 9% Debentures due October 15, 1993, (the "9% Debentures") will not be redeemable prior to October 15, 1988 as part of a refunding operation involving an interest cost to the Company of less than 9% per annum. Particulars of the redemption provisions and particulars of the purchase fund attaching to the 9% Debentures are described under the heading "Description of the 9% Debentures".

In the opinion of counsel, the 9% Debentures will be investments in which the Canadian & British Insurance Companies Act states that a company registered under Part III thereof may invest its funds without resorting to the provisions of subsection (4) of Section 63 of said Act.

Trustee: The Canada Trust Company

	Price to Public (1)	Underwriting Discount	Proceeds to Company (1) (2)
Per Unit	100.00%	2.25%	97.75%
Total	$12,500,000	$281,250	$12,218,750

(1) Plus accrued interest, if any.
(2) Before deducting expenses payable by the Company estimated not to exceed $25,000.

We, as principals, conditionally offer these 9% Debentures, subject to prior sale, if, as and when issued by the Company and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under the heading "Underwriting" and subject to the approval of all legal matters on our behalf by Messrs. Borden & Elliot, who are also counsel for the Company.

Price: 100 and accrued interest, if any, to yield 9.00%

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the 9% Debentures in definitive form will be ready for delivery on October 15, 1973.

McLEOD, YOUNG, WEIR & COMPANY
LIMITED

TORONTO MONTREAL VANCOUVER WINNIPEG CALGARY EDMONTON OTTAWA HAMILTON
LONDON KITCHENER QUEBEC CITY WINDSOR HALIFAX REGINA VICTORIA SHERBROOKE KINGSTON
NEW YORK LONDON, ENGLAND PARIS, FRANCE

September 27, 1973

PRINTED IN CANADA

TRADERS GROUP LIMITED

Summary of 9% Debentures

AMOUNT OF ISSUE:	$12,500,000.
PRICE:	100.00 plus accrued interest, if any.
INTEREST COUPON:	9% to yield 9.00% at issue price.
DELIVERY DATE:	October 15, 1973.
MATURITY DATE:	October 15, 1993.
SECURITY:	Direct obligations of the Company ranking equally with all other Debentures issued under the Trust Indenture but will not be secured by any mortgage pledge, hypothec or other charge upon the property or assets of the Company.
REDEMPTION:	Redeemable on 30 days notice at par plus a premium equivalent to one year's interest in the first year; such premium declining in pro rata amounts each year thereafter until the last year prior to maturity when the Debentures will be redeemable at par. The Debentures will not be redeemable in the first 15 years for purposes of refinancing at a lower interest cost than 9%.
PURCHASE FUND:	Subject to certain conditions, the Company will apply sums sufficient to purchase in the market 3% of the aggregate principal amount of the issue in each calendar year commencing in 1974.
INTEREST COVERAGE:	Earnings available for interest on outstanding Debentures were 4.63 times debenture interest requirements in 1972 and 4.68 times debenture interest requirements in the six month period ended June 30, 1973.
ASSET COVERAGE:	Net tangible assets were equivalent to $2,490 for each $1,000 principal amount of Debentures outstanding and $1,198 for each $1,000 principal amount of Collateral Trust Notes and Debentures outstanding at June 30, 1973.
LEGALITY:	The 9% Debentures will be legal investments under the Canadian & British Insurance Companies Act.

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THE COMPANY

Traders Group Limited (the "Company") is a sales finance company, incorporated under the laws of Canada as Traders Finance Corporation Limited by letters patent dated November 23, 1926, and is the parent company of a number of subsidiaries operating in the finance, land development and insurance fields. The Company is taxable as a Canadian corporation under federal and provincial income tax legislation. The Company operates the oldest Canadian sales finance business, founded in Winnipeg in 1920. The name of the Company was changed to Traders Group Limited—Le Groupe Traders Limitée by supplementary letters patent dated May 5, 1967. The head office and principal office of the Company is located at 625 Church Street, Toronto, Ontario, M4Y 2G1.

The principal business of the Company is and will be the purchase of instalment sales obligations resulting from sales of automobiles, trucks, industrial and commercial equipment and other durable goods. The Company is also engaged in the purchase and leasing of medium and large scale capital assets. Through its subsidiaries, the Company is engaged in making personal, home improvement, dealer and mortgage loans, factoring receivables, participating in land development and underwriting general insurance.

The Company and its finance subsidiaries are represented at 188 locations across Canada as follows:

British Columbia	16	Quebec	33
Alberta	15	New Brunswick	12
Saskatchewan	5	Nova Scotia	24
Manitoba	4	Prince Edward Island	2
Ontario	71	Newfoundland	5
		Yukon Territory	1

The Company owned 1,868,109 or 42.0% of the outstanding shares of Guaranty Trust Company of Canada at July 31, 1973.

CAPITALIZATION SUMMARY

The following table summarizes the capitalization of the Company and its finance subsidiaries which is set forth in detail under the heading "Capitalization".

	Amount outstanding as at June 30, 1973	Amount outstanding as at July 31, 1973
DEBT OF TRADERS GROUP LIMITED		
Secured Debt		
Bank loans and Short Term Notes	$168,682,540	$178,095,935
Medium Term Notes	55,903,200	52,475,200
Long Term Notes	210,641,420	210,641,420
Other secured debt	18,180,327	17,964,121
	453,407,487	459,176,676
Other Debt		
Debentures	66,548,500	66,548,500
DEBT OF CONSOLIDATED SUBSIDIARIES	9,282,905	6,450,000
MINORITY INTEREST	433,777	433,777*
CAPITAL AND SURPLUS		
Cumulative Redeemable Preferred Shares	14,624,310	14,565,270
Common Shares without nominal or par value	33,401,201	33,401,201
Consolidated Surplus	49,939,201	49,939,201*
	$ 97,964,712	$ 97,905,672
	$627,637,381	$630,514,625

*as at June 30, 1973

ORGANIZATION AND OPERATIONS

The Company and its subsidiaries are organized for management and administrative purposes into three main operating groups, Finance, Land Development and Canadian General Insurance. The following table sets forth the consolidated assets and the percentages of consolidated assets, as at June 30, 1973, and the percentages of consolidated gross revenues and net profits for the six months ended June 30, 1973, of these groups:

	Assets ($000)	Percentage of assets	Percentage of gross revenues	Percentage of net profits
Finance Group	$737,246	91.1%	65.8%	71.2%
Land Development Group	11,704	1.4	8.1	13.7
Canadian General Insurance Group	60,263	7.5	26.1	15.1
	$809,213	100.0%	100.0%	100.0%

Finance Group

The Finance Group, which employs most of the funds in use, consists of the Company and its finance subsidiaries, and provides financing services to industry and consumers in all provinces of Canada. In addition, an office is maintained in London, England, and the Company is establishing local subsidiaries in European countries.

The financing services provided by the Finance Group have increased over the past five and one-half years as illustrated in the following table which shows the amount of the outstanding gross receivables at December 31 in each of the years 1968 to 1972, and at June 30, 1973:

June 30, 1973	December 31				
	1972	1971	1970	1969	1968
			($000)		
$709,337	$653,667	$545,573	$491,968	$492,037	$460,576

The major operating companies are as follows:

Traders Group Limited is the principal operating company in the Finance Group. Its receivables at June 30, 1973, net of allowance for credit losses, totalled approximately $409 million.

Trans Canada Credit Corporation Limited, a wholly-owned subsidiary, was incorporated by the Company in 1940 under the laws of Canada and is licensed under the Small Loans Act. It is engaged principally in making personal and other loans to the public. Its receivables at June 30, 1973, net of allowance for credit losses, totalled approximately $139 million.

Traders Homeplan Limited, acquired by the Company in 1962, was incorporated under the laws of Canada in 1950 and provides a credit service for the financing of home improvements on a time-payment basis. The name of the Company was changed to Traders Homeplan Limited—Le Plan Foncier Traders Limitée in 1969. At June 30, 1973 the Company held 99.9% of the shares of this company. HOMEPLAN REALTY LIMITED, a wholly-owned subsidiary of Traders Homeplan Limited, was incorporated in 1967 under the laws of the Province of Ontario and provides loans secured by realty mortgages on major home improvements, vacation homes and rural homes. Traders Homeplan Limited also owns 99.2% of the shares of TRADERS MORTGAGE COMPANY which was incorporated under The Loan and Trust Corporations Act of Ontario as a loan company for mortgage lending. At June 30, 1973, the receivables, net of allowance for credit losses, of Traders Homeplan Limited and its subsidiaries, totalled approximately $102 million.

Aetna Factors Corporation Ltd., incorporated in 1955 under the laws of the Province of Quebec, finances accounts receivable and inventories of manufacturers, distributors, wholesalers, importers and exporters. The Company acquired control in 1964. Its receivables at June 30, 1973, net of allowance for credit losses, totalled approximately $38 million. In 1972 the Company entered into an agreement to sell a 30% interest in Aetna Factors Corporation Ltd. to a Canadian chartered bank on the basis of 10% in January, 1973, a further 10% in 1974, and 5% in each of 1975 and 1976. At June 30, 1973 the Company owned 80% of the shares of this company.

Traders Realty Limited, a wholly-owned subsidiary incorporated by the Company in 1953 under the laws of the Province of Ontario, provides capital loans for automobile dealers doing business with the Company. This company also provides loans to businesses in the form of short term financing, secured by realty mortgages and debentures. Its receivables at June 30, 1973, net of allowance for credit losses, totalled approximately $8 million.

Credit Policy and Loss Experience:

All loans over $1 million must be approved by the executive committee of the board of directors. Interim and commercial mortgage loans and all loans up to and including the sum of $1 million and exceeding the amounts

indicated below must be approved by the credit committee or by the operating committee for Aetna Factors Corporation Ltd. The following table sets forth the maximum credit granting authority within each category:

	Senior Vice President	Vice President	Assistant Vice President	Branch Manager
			($000)	
CONSUMER				
Retail	$300	$100	$ 50	$15
Personal Loans	100	25	5	3
Residential—Mortgage and Improvements	100	50	25	15
Wholesale	400	300	150	—
Dealer Loans	150	50	—	—
COMMERCIAL				
Industrial Retail	300	200	125	25
Factoring and Accounts Receivable	—	100	—	50
LEASING	750	—	125	—

Receivables written off net of recoveries on the more than $4.8 billion of finance receivables purchased in the five years and six months ended June 30, 1973 have been less than one-half of one percent. This has been the result of careful scrutiny of credits, wide diversification and comprehensive insurance coverage, together with the purchasers' initial equities. The following table sets forth additional information for the five years and six months ended June 30, 1973:

	Six months ended June 30		Year ended December 31				
	1973	1972	1972	1971	1970	1969	1968
	($000)		($000)				
Total receivables outstanding at beginning of period	$653,667	$545,573	$545,573	$491,968	$492,037	$460,576	$446,176
Volume purchased for period							
Retail, leasing and loans	380,791	342,685	717,594	560,729	464,838	478,911	433,268
Wholesale	228,849	178,454	365,724	313,522	233,321	255,645	334,249
	609,640	521,139	1,083,318	874,251	698,159	734,556	767,517
Less—							
Total receivables outstanding at end of period	709,337	600,093	653,667	545,573	491,968	492,037	460,576
Receivables written off net of recoveries	1,537	1,165	3,722	5,412	4,130	3,313	3,793
	710,874	601,258	657,389	550,985	496,098	495,350	464,369
Liquidations	$552,433	$465,454	$ 971,502	$815,234	$694,098	$699,782	$749,324
Receivables written off net of recoveries—							
Percentage to liquidations	0.28%	0.25%	0.38%	0.66%	0.60%	0.47%	0.51%
Percentage to average outstanding receivables	0.23%	0.20%	0.62%	1.04%	0.84%	0.70%	0.84%
Allowance for credit losses at end of period	$ 13,417	$ 10,999	$ 12,447	$ 9,862	$ 9,502	$ 8,205	$ 6,485

Analysis of Finance Receivables:

Retail receivables arise from instalment purchases of automobiles and other durable goods by consumers and from instalment purchases principally of construction and trucking equipment by industrial users. Conditional sale agreements covering purchases from the dealer by the consumer are supported by promissory notes, which are payable in monthly instalments normally over periods of up to three years, and are usually further protected by the dealer's endorsement. Finance charges on retail receivables are included in the amounts of the notes at the time they are drawn and are credited to income as earned over the term of each note.

Wholesale receivables arise from financing the purchase by dealers of automobiles and other durable goods for inventory. Wholesale financing, dealer loans and financing of leased units are undertaken to provide a full range of services to dealers assigning their retail conditional sales contracts to the Company.

Lease receivables arise from the leasing to businesses of capital assets for periods equivalent to their approximate economic life. The payments provided for under the lease agreements are at least sufficient to return to the Company the cost of the equipment including financing and other expenses.

Personal loan receivables arise from instalment cash loans of up to $1,500 made under the provisions of the Small Loans Act and from larger instalment cash loans to individuals and small businesses. The average personal loan receivable outstanding at June 30, 1973 amounted to $1,600.

Residential mortgage and home improvement receivables arise from the purchase of instalment contracts from dealers financing cottages and home improvements and from mortgage financing of rural and vacation homes.

Interim and commercial loan receivables arise from mortgage financing of commercial properties.

Factoring receivables arise from the purchase of receivables on a non-recourse basis from manufacturers and distributors, chiefly in the textile, apparel and consumer electronic industries and also from making business loans to a wide range of commercial and industrial firms. The loans are normally made on a short term demand basis and are normally secured, primarily by an assignment of the client's accounts receivable on a recourse basis.

The following table shows the receivables outstanding by various classifications:

	June 30, 1973		December 31				
	Percentage of Finance Receivables	($000)	1972	1971	1970	1969	1968
			($000)				
FINANCE RECEIVABLES							
Direct Cash Loans	18.9%	$129,438	$124,916	$102,477	$ 88,184	$ 78,047	$ 65,971
Retail Instalment							
Passenger cars—new		58,131	53,759	47,595	54,028	64,065	67,364
Passenger cars—used		21,502	19,941	19,544	22,485	28,361	30,074
Trucks		53,381	48,993	43,871	42,650	43,384	36,428
Sub-Total		133,014	122,693	111,010	119,163	135,810	133,866
Mobile homes		32,219	24,899	12,300	7,978	7,141	5,346
Residential mortgage and home improvement		102,697	90,586	75,600	67,715	62,938	52,656
Industrial and commercial equipment		93,816	84,932	74,859	75,726	73,688	64,399
Miscellaneous		20,388	18,491	16,068	13,980	14,801	18,419
	55.8%	382,134	341,601	289,837	284,562	294,378	274,686
Commercial Loans							
Dealer loans		6,684	6,766	8,376	7,785	7,659	8,714
Interim and commercial mortgage loans		5,372	10,929	14,868	20,606	26,209	27,503
	1.7%	12,056	17,695	23,244	28,391	33,868	36,217
Leasing	6.4%	43,713	37,528	11,871	—	—	—
Factoring and Commercial Financing	5.8%	39,443	40,155	31,263	24,115	23,207	13,788
Wholesale							
Passenger cars—new		47,121	42,801	39,270	29,078	35,064	43,426
Passenger cars—used		1,457	1,324	1,215	811	1,163	1,118
Trucks		10,286	10,216	12,528	8,154	9,537	11,410
Sub-Total		58,864	54,341	53,013	38,043	45,764	55,954
Mobile homes		10,849	6,201	5,861	2,035	684	280
Industrial and commercial equipment		4,783	3,167	2,538	3,110	2,605	2,354
Miscellaneous		3,370	2,492	1,211	987	862	415
	11.4%	77,866	66,201	62,623	44,175	49,915	59,003
TOTAL FINANCE RECEIVABLES	100.0%	684,650	628,096	521,315	469,427	479,415	449,665
Loans to associated companies		18,493	18,442	17,507	16,932	7,989	2,230
Other receivables		5,292	6,229	5,233	2,588	1,881	2,146
Real property held for resale		902	900	1,518	3,021	2,752	6,535
TOTAL RECEIVABLES		$709,337	$653,667	$545,573	$491,968	$492,037	$460,576

At June 30, 1973 $143,455,000 or 51.3% of retail consumer and industrial finance receivables were covered by dealer endorsement.

Maturities of Finance Receivables:

The major portion of the finance receivables mature in less than two years. This provides rapid turnover of funds and allows considerable flexibility in lending policies. The following table shows the approximate maturities of finance receivables outstanding at June 30, 1973:

	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Within 5 years	Over 5 years	Arrears	Repossessions	Total
	($000)									
DIRECT CASH LOANS.	$ 50,432	$ 39,238	$23,843	$10,760	$ 3,334	$127,607	$ 10	$1,821	$ —	$129,438
RETAIL INSTALMENT—										
Motor Vehicle, Mobile Homes & Miscellaneous....	79,658	56,820	26,357	5,750	3,574	172,159	12,074	536	852	185,621
Residential Mortgage & Home Improvement....	11,871	12,678	14,243	22,279	39,648	100,719	1,773	205	—	102,697
Industrial & Commercial Equipment	45,487	29,584	12,500	3,011	838	91,420	139	1,103	1,154	93,816
	137,016	99,082	53,100	31,040	44,060	364,298	13,986	1,844	2,006	382,134
COMMERCIAL LOANS.	3,953	3,379	2,223	922	713	11,190	495	371	—	12,056
LEASING.....	4,556	4,579	4,458	4,013	3,543	21,149	22,561	3	—	43,713
FACTORING & COMMERCIAL FINANCING.	39,443	—	—	—	—	39,443	—	—	—	39,443
WHOLESALE.....	77,866	—	—	—	—	77,866	—	—	—	77,866
TOTAL FINANCE RECEIVABLES.....	$313,266	$146,278	$83,624	$46,735	$51,650	$641,553	$37,052	$4,039	$2,006	$684,650
PERCENTAGE OF TOTAL.....	45.8%	21.4%	12.2%	6.8%	7.5%	93.7%	5.4%	0.6%	0.3%	100.0%

Maturities of Debt and Payables:

For purposes of comparison, the following table shows the maturities of debt and payables outstanding at June 30, 1973:

	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Within 5 years	Over 5 years	Total
	($000)							
BANK, SHORT TERM DEBT, TAXES AND PAYABLES.....	$223,138	$ 5,737	$ —	$ —	$ —	$228,875	$ —	$228,875
MEDIUM TERM DEBT.....	16,294	33,678	3,347	974	1,610	55,903	—	55,903
LONG TERM DEBT								
Secured.....	8,281	23,347	10,920	10,536	1,089	54,173	174,648	228,821
Unsecured.....	375	7,150	10,100	100	100	17,825	49,323	67,148
TOTAL.....	248,088	69,912	24,367	11,610	2,799	356,776	223,971	580,747
PERCENT OF TOTAL DEBT AND PAYABLES.....	42.7%	12.0%	4.2%	2.0%	0.5%	61.4%	38.6%	100.0%

The annual sinking fund or maximum annual purchase fund requirement for Collateral Trust Notes and Debentures of the Company is indicated under the heading "Capitalization".

Current Position:

The assets and liabilities due within one year from June 30, 1973 are shown below:

ASSETS DUE WITHIN ONE YEAR	($000)	LIABILITIES DUE WITHIN ONE YEAR	($000)
Finance receivables (excluding arrears and after deducting $39 million of unearned income).....	$274,266	Debt and payables as shown above.....	$248,088
Other receivables.....	6,194	Purchase fund requirements—maximum	
		Collateral Trust Notes.....	2,954
Cash.....	11,712	Debentures.....	525
Total.....	$292,172	Total.....	$251,567

Available Asset Coverage for Short Term Obligations:

In addition to the covenants contained in the Deed of Trust and Mortgage securing the Collateral Trust Notes which are for the benefit of all Note holders, the Company has covenanted in favour of the holders of Series AE, AI and AK Notes to maintain Available Assets (defined to include cash and unused bank credit lines, certain marketable securities and the lesser of (i) $12 million and (ii) 25% of the Value of Selected Automobile Dealer Obligations of the Company and its principal finance subsidiaries) at not less than the amount of its Short Term Obligations (as defined) and to offer to repurchase the Series AE, AI and AK Notes if such ratio is not maintained.

The available asset coverage for Short Term Obligations, as defined in the Note Purchase Agreements for the Series AE, AI and AK Notes, including unused bank credit lines which may change from time to time, is as shown in the table following:

	At June 30, 1973		At December 31, 1972		At December 31, 1971	
			($000)			
Available Assets						
Cash		$ 11,258		$ 10,073		$ 4,464
Selected automobile dealer obligations		10,000		10,000		9,000
Bank credit lines						
Banks in Canada	$ 89,500		$ 79,500		$ 79,500	
Banks in the United States of America	81,946		63,262		43,622	
	171,446		142,762		123,122	
Less bank loans	14,750		7,000		28,500	
Unused bank credit lines		156,696		135,762		94,622
		$177,954		$155,835		$108,086
Short Term Obligations						
Short term notes		$153,933		$128,121		$ 66,756
Available Asset Coverage		115.6%		121.6%		161.9%

Land Development Group

Two wholly owned subsidiaries of the Company, Forest Glenn (Dixie) Limited and Traders Developments Limited, and their respective subsidiaries, purchase land for development and resale.

The following table shows the total assets of the Land Development Group at their year end, November 30 in each year, and at May 31, 1973:

May 31, 1973	November 30				
	1972	1971	1970	1969	1968
			($000)		
$11,704	$10,686	$9,348	$8,358	$5,534	$3,071

Canadian General Insurance Group

At June 30, 1973, the Company owned 98.4% of Canadian Insurance Shares Limited, a holding company. The Company directly and through this holding company effectively held at June 30, 1973 95.8% of the shares of Canadian General Insurance Company, 97.1% of the shares of Toronto General Insurance Company, and 99.2% of the shares of Traders General Insurance Company.

Canadian General Insurance Company, Toronto General Insurance Company and Traders General Insurance Company are licensed to do business in all provinces of Canada and are engaged, through offices and agents, in the writing of a full line of automobile, fire and miscellaneous casualty insurance. These three companies have common boards of directors and seven of the present twelve directors are also directors of Traders Group Limited. The operations of these three insurance companies are managed by the same officers and staff, resulting in close co-ordination of operations and in economies in administrative and other overhead costs.

During 1972, the Canadian General Insurance Group acquired 95% of the shares of Income Disability & Reinsurance Company of Canada as referred to under "Material Contracts". At June 30, 1973, the effective percentage owned by the Company through the Canadian General Insurance Group was 93.6%.

The following table summarizes the operations of the insurance companies for the five years and six months ended June 30, 1973, with the exception of Income Disability & Reinsurance Company of Canada which is included only in 1972 and 1973.

Year	Net Premiums earned	Loss ratio	Commission and expense ratio
1968	$28,602,281	60.73%	35.97%
1969	28,166,501	64.17	38.68
1970	29,398,575	75.99	39.82
1971	30,135,580	76.28	38.00
1972	30,131,771	66.22	38.87
1973 (to June 30)	15,605,980	60.64	38.18

These companies carry on business with their own financial resources and do not borrow from the Company or its subsidiaries.

EARNINGS TESTS

Excluding extraordinary items
(See note (i) to the Consolidated Statement of Earnings)

	Six months ended June 30		Year ended December 31				
	1973	1972	1972	1971	1970	1969	1968
			($000)				
Earnings Available for Interest on Collateral Trust Notes							
Earnings available for interest on debentures (see below)	$ 11,195	$ 7,900	$ 17,685	$ 13,062	$ 11,632	$ 11,660	$ 11,104
Add: Interest on Collateral Trust Notes	13,814	11,703	24,373	22,935	23,979	21,806	19,517
	$ 25,009	$ 19,603	$ 42,058	$ 35,997	$ 35,611	$ 33,466	$ 30,621
Ratio of available earnings to interest on Collateral Trust Notes	1.81	1.68	1.72	1.57	1.49	1.53	1.57
Earnings Available for Interest on Debentures							
Consolidated net profit	$ 6,230	$ 5,121	$ 10,594	$ 7,906	$ 5,777	$ 6,234	$ 5,966
Add: Income taxes of the Company	2,571	945	3,271	1,851	3,148	2,576	2,002
Interest on debentures	2,394	1,834	3,820	3,305	2,707	2,850	3,136
	$ 11,195	$ 7,900	$ 17,685	$ 13,062	$ 11,632	$ 11,660	$ 11,104
Ratio of available earnings to interest on debentures	4.68	4.31	4.63	3.95	4.30	4.09	3.54
Net Earnings Available for Preferred Shares							
Consolidated net profit	$ 6,230	$ 5,121	$ 10,594	$ 7,906	$ 5,777	$ 6,234	$ 5,966
Less: Interest on income funding rights	1	5	8	9	9	9	9
	$ 6,229	$ 5,116	$ 10,586	$ 7,897	$ 5,768	$ 6,225	$ 5,957
Dividends on preferred shares	$ 425	$ 439	$ 871	$ 1,057	$ 1,181	$ 1,006	$ 684
Ratio of available earnings to dividends on preferred shares	14.66	11.65	12.15	7.47	4.88	6.19	8.71
Net Earnings Available for Common Shares							
Net earnings available for preferred shares (as above)	$ 6,229	$ 5,116	$ 10,586	$ 7,897	$ 5,768	$ 6,225	$ 5,957
Less: Dividends on preferred shares	425	439	871	1,057	1,181	1,006	684
	$ 5,804	$ 4,677	$ 9,715	$ 6,840	$ 4,587	$ 5,219	$ 5,273
Dividends on common shares	$ 2,008	$ 1,674	$ 3,636	$ 3,335	$ 2,665	$ 2,659	$ 2,654
Ratio of available earnings to dividends on Common shares	2.89	2.79	2.67	2.05	1.72	1.96	1.99

DEBENTURE ASSET COVERAGE

Based on the audited balance sheet of the Company (not consolidated) as at June 30, 1973, the net tangible assets of the Company available to holders of Debentures were as follows:

		($000)
Cash and receivables		$421,824
Investments and advances		274,434
Fixed assets less accumulated depreciation		2,451
		698,709
Deduct:		
Payables	$ 26,263	
Mortgages and Conditional Sale Obligations	18,180	
Unearned income	53,337	97,780
Net tangible assets		600,929
Deduct:		
Collateral Trust Notes		435,227
Net tangible assets available for Debentures		$165,702

Net tangible assets before deducting the principal amount of all Collateral Trust Notes are equivalent to $1,198 for each $1,000 or 1.20 times the aggregate principal amount of Collateral Trust Notes and Debentures of the Company outstanding as at June 30, 1973. The earnings available for interest on Collateral Trust Notes and Debentures during the six months ended June 30, 1973 were $25,009,000 or 1.54 times the total interest on Collateral Trust Notes and Debentures of $16,208,000.

Net tangible assets after deducting the principal amount of all Collateral Trust Notes were equivalent to $2,490 for each $1,000 or 2.49 times the aggregate principal amount of all Debentures of the Company outstanding as at June 30, 1973. The earnings available for interest on Debentures are shown on page 9.

USE OF PROCEEDS

In the ordinary course of its business, the Company purchases instalment sales obligations and finances other loans using its own capital resources augmented by funds obtained through the sale of long term funded obligations and Short Term and Medium Term Notes and through bank borrowings. The purpose of the issue of the 9% Debentures is to increase the funds available to the Company to carry on its business. The Company will apply the net proceeds from the issue of the 9% Debentures, estimated to be $12,193,750 (after deducting estimated expenses of $25,000), to the reduction of bank loans secured by Series C or CC Collateral Trust Notes and the repayment of maturing Short Term and Medium Term Collateral Trust Notes issued in the ordinary course of its business as described above. The Company's bank loans and Short and Medium Term Collateral Trust Notes outstanding at July 31, 1973 amounted to $230,571,135.

UNDERWRITING

Under an agreement dated September 27, 1973 between the Company and McLeod, Young, Weir & Company Limited, as Underwriter, the Company has agreed to sell and the Underwriter has agreed to purchase on October 15, 1973 the $12,500,000 principal amount of the 9% Debentures at a price of $97.75 per $100 principal amount thereof plus accrued interest, if any, to the date of delivery, payable in cash to the Company against delivery of definitive 9% Debentures. The obligations of the Underwriter under such agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriter is, however, obligated to take up and pay for all of the 9% Debentures if any of the 9% Debentures are purchased under such agreement.

COLLATERAL TRUST NOTES

Pursuant to the provisions of a Deed of Trust and Mortgage made as of February 1, 1949, between the Company and The Royal Trust Company, as trustee, as amended and supplemented (collectively called the "Trust Deed") the Company has issued and issues Collateral Trust Notes and particulars of Notes outstanding as at July 31, 1973 are set forth under the heading "Capitalization". The Collateral Trust Notes are all equally secured under the Trust Deed by a first fixed and specific mortgage and charge on Instalment Obligations and/or Approved Securities (both as defined in the Trust Deed) to a value (as defined in the Trust Deed) equal to at least 112½% of the aggregate principal amount of Collateral Trust Notes for the time being outstanding and by a first floating charge on the undertaking and other property and assets of the Company. Collateral Trust Notes outstanding under the Trust Deed rank prior to the 9% Debentures offered by this prospectus.

CUSTODY OF PLEDGED COLLATERAL: H. E. Dynes and E. A. A. Wighton, the President and the Treasurer of the Company, have been jointly appointed under the Trust Deed as Custodian of the Instalment Obligations and/or Approved Securities which are from time to time subject to the specific lien of the Trust Deed. As Custodian they, directly or through their agents, hold such pledged collateral at branches of the Company's bankers as agent or depository for the Trustee. Instalment Obligations and/or Approved Securities are endorsed or assigned in favour of, and pledged with, the Custodian and are lodged in bank safe keeping facilities to which the agents of the Custodian have access.

The Instalment Obligations and Approved Securities are verified on a test basis, at the head office by the Company's auditors, Price Waterhouse & Co., and at the branch offices by the Company's internal audit department in the course of regular audits, following procedures established by the Company's auditors, who participate in certain of these branch examinations. Price Waterhouse & Co. submit monthly certificates to the Trustee confirming, according to the best of their information and explanations received and as shown by the records of the Company, that the available collateral is not less than the minimum amount required under the provisions of the Trust Deed as at the dates specified in such certificates.

RESTRICTIONS ON ISSUANCE OF ADDITIONAL COLLATERAL TRUST NOTES: There is no fixed limitation upon the aggregate principal amount of Collateral Trust Notes which may be issued and outstanding but the Trust Deed contains provisions prohibiting the issuance of additional Notes unless:

(i) the Company shall have on deposit with the Custodian (as defined in the Trust Deed), as part of the pledged collateral, Instalment Obligations and/or Approved Securities (both as defined in the Trust Deed) having an aggregate Value (as defined in the Trust Deed) equal to not less than 112½% of the aggregate principal amount of all Notes for the time being outstanding plus the Notes then proposed to be issued, and

(ii) the total amount of secured obligations of the Company (defined to include all outstanding indebtedness and liabilities of the Company for the time being secured, whether by specific or floating charge, upon any of the property or assets of the Company) including the Collateral Trust Notes then proposed to be issued shall not be in excess of four times the equity in the Company (defined to mean the aggregate of the Company's paid-up capital and surplus plus the aggregate principal amount of indebtedness represented by notes or debentures, or both, which are not secured by way of specific or floating charge upon any property or assets of the Company the whole as certified by the auditors of the Company as of a date not more than 120 days prior to any application for the issue of Collateral Trust Notes).

In the Note Purchase Agreements relating to its Collateral Trust Notes, Series AK, due December 1, 1988, the Company agreed with the original purchasers that so long as such original purchasers held any Series AK Notes, or until such original purchasers otherwise agree, the Company (a) will not permit more than 25% of the aggregate principal amount of Instalment Obligations (as defined in the Trust Deed) of the Company and its consolidated finance and industrial subsidiaries as at any June 30 or December 31 to consist of instalments of Instalment Obligations (as so defined) falling due later than 60 months from such respective dates, and (b) will not permit secured obligations (defined as stated above) of the Company and its subsidiaries at any time to be in excess of 3½ times the equity in the Company (defined as stated above).

It is a condition precedent to the issue of Collateral Trust Notes that the Trustee shall have received an opinion of counsel that all legal requirements in connection with the proposed issue of such Notes have been met.

As at June 30, 1973 the consolidated net equity of the Company in Canadian Insurance Shares Limited and its subsidiaries, including investments at market value, was in excess of $10 million. For all purposes of the Trust Deed the shares of Canadian Insurance Shares Limited owned by the Company shall qualify as "Approved Securities" and shall be deemed to have an aggregate value of $2 million subject to adjustment if the asset value of such shares (as defined in the Trust Deed) should decrease by more than 10% in relation to their asset value as at December 31, 1948.

As at June 30, 1973 the value of Instalment Obligations and Approved Securities covered by the fixed charge of the Trust Deed was in excess of $512 million, and the borrowings secured thereon at such date were $435 million giving specific security coverage in excess of 117%. The Collateral Trust Notes are also secured by a first floating charge on the undertaking and all other assets of the Company.

The Trust Deed does not limit the amount of unsecured securities, including Debentures, which may be issued by the Company.

AMENDMENTS TO THE TRUST DEED: The Company is preparing proposed amendments which will have the effect of modernizing and consolidating the Trust Deed and prior to the end of 1973 the Company expects to call meetings of the holders of its outstanding Collateral Trust Notes to seek their consent to the amendments. The proposed amendments, among other things, will recognize new classes of finance receivables which can be pledged and valued for Trust Deed purposes and will reinforce the covenants limiting the issuance of additional Collateral Trust Notes. The proposed amendments to the Trust Deed will not adversely affect the rights of the Debenture holders under the Debenture Trust Indenture nor will they significantly alter the amount of Collateral Trust Notes which otherwise would have been issuable under the Trust Deed.

DESCRIPTION OF THE 9% DEBENTURES

The 9% Debentures offered by the prospectus are to be issued under a Trust Indenture, dated as of April 1, 1949 between the Company and The Canada Trust Company (the "Trustee") as supplemented and amended by supplemental indentures and as supplemented by a further supplemental indenture to be dated as of October 1, 1973 (collectively called the "Trust Indenture"). Reference is made to the heading "Capitalization" for particulars of Debentures heretofore issued under the Trust Indenture and outstanding as at July 31, 1973. Debentures issued under the Trust Indenture rank equally with all other Debentures issued thereunder but since the Debentures are unsecured they rank after the Collateral Trust Notes described above.

INTEREST: The 9% Debentures will be dated October 15, 1973, will mature October 15, 1993 and will bear interest at the rate of 9% per annum.

PAYMENT: Payment of half-yearly interest (April 15 and October 15), principal and redemption premium (if any) will be made in lawful money of Canada at any branch in Canada of the Company's bankers.

DENOMINATIONS: The 9% Debentures will be issued in coupon form in denominations of $1,000 registrable as to principal only, and in fully registered form in denominations of $1,000 and authorized multiples thereof.

SECURITY: The 9% Debentures will be direct obligations of the Company ranking equally with all other Debentures issued under the Trust Indenture but will not be secured by any mortgage, pledge, hypothec or other charge upon the property or assets of the Company.

REDEMPTION: The 9% Debentures will not be redeemable prior to October 15, 1988 as part of a refunding operation involving the application, directly or indirectly, of borrowed funds having an interest cost of less than 9% per annum. Subject to this restriction, the 9% Debentures will be redeemable at any time in whole, or from time to time in part, upon not less than 30 days' notice, at the following percentages of the principal amount thereof plus accrued interest to the date fixed for redemption:

If redeemed in the 12 months ending October 15	Percentage	If redeemed in the 12 months ending October 15	Percentage
1974	109.00	1984	104.05
1975	108.50	1985	103.60
1976	108.00	1986	103.15
1977	107.50	1987	102.70
1978	107.00	1988	102.25
1979	106.50	1989	101.80
1980	106.00	1990	101.35
1981	105.50	1991	100.90
1982	105.00	1992	100.45
1983	104.50	1993	100.00

PURCHASE FUND: The Company will agree to apply in each fiscal year of the Company from 1974 to 1992, inclusive, an amount equal to three percent of the aggregate principal amount of the 9% Debentures to the purchase in the market of such Debentures, at such time or times in each such fiscal year as the Company in its discretion shall determine, to the extent that such Debentures are available for purchase by the Company at prices (including costs of purchase) not exceeding the principal amount thereof plus accrued interest to the date of purchase, provided that:

(i) the Company shall not be in default of its said purchase fund obligation in the event that the Company, in the reasonable exercise of its discretion as aforesaid, fails to apply during any of the said years an amount equal to three percent of the aggregate principal amount of the 9% Debentures to the purchase of such Debentures in the market as aforesaid;

(ii) any amount that by reason of the foregoing proviso is not so applied in any fiscal year of the Company shall not be required to be applied in any succeeding fiscal year of the Company; and

(iii) the Company in any of such fiscal years may purchase 9% Debentures in excess of its purchase obligation for such year and the amount of such excess shall constitute a credit which may, at the election of the Company, at any time or from time to time be used (to the extent not previously used) to reduce the amount of any purchase obligation in succeeding fiscal years.

RESTRICTIONS ON ISSUANCE OF ADDITIONAL DEBENTURES: There is no fixed limitation upon the aggregate principal amount of Debentures which may be issued under the Trust Indenture; but no Debentures may be issued under the Trust Indenture unless:

(a) the aggregate of the capital (defined to mean the paid-up capital of the Company as shown on a balance sheet of the Company certified by the Company's auditors as of a date not more than 120 days preceding the date of the application for the certification of the additional Debentures) and surplus (defined to mean the excess of the Company's assets, including the amount of the consideration to be received by the Company upon the issue of such additional Debentures, over the aggregate of its liabilities and capital, as shown on the said balance sheet) of the Company shall be at least equal to the aggregate principal amount of all unsecured debentures of the Company then outstanding and the additional Debentures proposed to be issued, and

(b) the net earnings of the Company and its subsidiaries (defined in effect to mean all gross earnings and income of the Company and its subsidiaries less all administrative and operating charges and expenses of every character and all fixed charges of the Company and its subsidiaries other than interest on any unsecured debentures of the Company and income taxes of the Company) for any 12 consecutive months of the 18 months next preceding the date of application for the issuance of additional Debentures shall have been equal to at least 3 times the annual interest requirements of all unsecured debentures of the Company then outstanding and the additional Debentures proposed to be issued. The net earnings of the Company and its subsidiaries for the 12 months ended June 30, 1973, as defined above, amounted to $20,980,000. Three times the annual interest requirements of all unsecured debentures of the Company to be outstanding immediately after this issue will be approximately $19,630,000.

TAX STATUS OF DEBENTUREHOLDER: The interest income from the 9% Debentures is normally taxable as interest income in the hands of corporate and individual holders.

MODIFICATION OF THE TRUST INDENTURE: The Trust Indenture contains provisions permitting the Company and the Trustee to modify the Trust Indenture, and the rights of the holders of the Debentures against the Company and its property, with the consent of the holders of the Debentures expressed by an extraordinary resolution (as defined in the Trust Indenture) or by written instruments signed by the holders of not less than 75% of the principal amount of Debentures then outstanding. Under the Trust Indenture an extraordinary resolution is defined, in effect, as a resolution passed by the affirmative vote of the holders of at least 75% of the principal amount of Debentures represented and voted at a meeting called for the purpose of considering such resolution.

A modification affecting only a particular series of the Debentures also requires, in addition to the above mentioned authorization, the specific authorization of the holders of the said percentage of such particular series.

DIRECTORS AND OFFICERS

Directors

*GEORGE RICHARD CHATER Rural Route 3 Campbellville, Ont.	President, Grafton Group Limited
SYDNEY CHARLES COOPER, B.A.Sc., P.Eng. 263 Dunvegan Road Toronto, Ont.	President and General Manager, C. A. Pitts Engineering Construction Limited
HOWARD NOEL CRAWFORD 22 Bryanston Mews West London, England	Senior Vice President, Traders Group Limited

*Henry Edwin Dynes 10 Gustav Crescent Willowdale, Ont.	President and Chief Executive Officer, Traders Group Limited
*Edwin Wallace Flanagan 75 Fairway Heights Drive Thornhill, Ont.	Senior Vice President, Traders Group Limited
Ralph Olaf Hedlin 37 Whitney Avenue Toronto, Ont.	Consultant
John Crosbie Lockwood 90 Forest Hill Road Toronto, Ontario	President, Lever Brothers Limited
George Crawford MacDonald Penthouse 2 Montclair Place 70 Montclair Avenue Toronto, Ont.	President, McLeod, Young, Weir & Company Limited
*James Wallace McCutcheon 71 St. Edmund's Drive Toronto, Ont.	Partner, Shibley, Righton & McCutcheon, Barristers and Solicitors
Donald Alexander McIntosh, q.c. 95 Dinnick Crescent Toronto, Ontario	Partner, Fraser & Beatty, Barristers & Solicitors
*Budd Huntington Rieger 22 Brendan Road Toronto, Ont.	Vice President, Canadian Corporate Management Co. Ltd.
Hugh Cameron Rynard, b.a.sc., p.eng. 65 Wynford Heights Crescent Don Mills, Ont.	President, Acres Limited
*Andrew Sarlos, c.a. 19 Barnwood Court Don Mills, Ont	President, MerBan Capital Corporation Limited
*Gordon Robertson Sharwood 1 Clarendon Crescent Toronto, Ont.	President and Chief Executive Officer, Guaranty Trust Company of Canada
*Rowland Leslie Sheard, f.i.b. 1124 Fair Birch Drive, Lorne Park Mississauga, Ont.	Chairman and Chief Executive Officer, General Appraisal of Canada Limited
*Donald Irving Webb, f.c.a. 23 Country Lane Willowdale, Ont.	Financial Consultant

*Member of the Executive Committee

Officers

George Richard Chater Rural Route 3 Campbellville, Ont.	Chairman of the Board
Henry Edwin Dynes 10 Gustav Crescent Willowdale, Ont.	President and Chief Executive Officer

Gordon Clark Brain 66 Forest Grove Drive Willowdale, Ont.	Senior Vice President, Finance
Howard Noel Crawford 22 Bryanston Mews West London, England	Senior Vice President, International Operations
Edwin Wallace Flanagan 75 Fairway Heights Drive Thornhill, Ont.	Senior Vice President, Finance Group
Lloyd Clifford Wright, c.a. 1479 Crescent Road Mississauga, Ont.	Senior Vice President, Administration
Jean Joseph Bourbonniere 2273 Wadding Crescent Mississauga, Ont.	Vice President, Sales Finance—East
Ernest Jack Castelane 30 Wentworth Avenue Willowdale, Ont.	Vice President, Sales Finance—West
James Douglas Derbyshire 163 Oakes Drive Mississauga, Ont.	Vice President, Personal Loan
Elon Windsor Fingarson 26 Wentworth Avenue Willowdale, Ont.	Vice President, Credit
Robert John Herold 12 Farningham Crescent Islington, Ont.	Vice President, Advertising and Public Relations
John James Keyser 66 Silverbirch Avenue Toronto, Ont.	Vice President, Personnel and Organization
Michael Edward Murphy 55 Drakefield Road Markham, Ont.	Vice President, Information Services
David Francis Pols, c.a. 20 Dunbarton Crescent Bramalea, Ont.	Vice President and Controller
Glenn Duane Wallace 71 Chatsworth Drive Toronto, Ont.	Vice President, Business Financial Services
George Everett Whitley 37 Munro Boulevard Willowdale, Ont.	Vice President, Secretary and General Counsel
Eric Alexander Annan Wighton, c.a. 10 Tanburn Place Don Mills, Ont.	Treasurer
John Francis Ellis 33 Rosehill Avenue Toronto, Ont.	Assistant Treasurer and Manager, Money Market
Donn David Millar 94 Crescent Road Toronto, Ont.	Assistant Treasurer

Except as set forth below, all of the directors have held their present respective business affiliations for the past five years and all of the officers have held management or senior management positions with the Company or its subsidiaries for the past five years.

—G. R. Chater, president, Grafton Group Limited was appointed chairman of the board of the Company in April, 1972.

—H. N. Crawford was president, Greyhound Leasing & Financial of Canada, Ltd. until he joined Canadian General Securities, Limited in March, 1970, and the Company in December, 1970.

—A. Sarlos held a senior position with Acres Limited until April, 1972 when he became president of MerBan Capital Corporation Limited.

—G. R. Sharwood held senior positions with a Canadian chartered bank until he joined Acres Limited in March, 1970. In June, 1972 he became president of Guaranty Trust Company of Canada.

—R. L. Sheard held senior positions with a Canadian chartered bank prior to his retirement in February, 1970 at which time he became a financial consultant. In April, 1971 he became president of General Appraisal of Canada Limited.

—D. I. Webb held senior positions with Merrill Lynch, Royal Securities Limited, and Merrill Lynch, Pierce Fenner and Smith Inc. of New York, U.S.A. until he retired as chairman of Merrill Lynch, Royal Securities Limited in February, 1972.

—G. C. Brain held senior positions with Chrysler Financial Corporation, Detroit, Michigan, until he joined the Company in February, 1971.

—L. C. Wright was vice president, Canadian Bechtel Limited to April, 1970 and a consultant with Acres Limited thereafter until he joined the Company in October, 1970.

—J. J. Keyser held a management position with the Company until May, 1969 when he resigned to accept a senior position with a Canadian chartered bank. He rejoined the Company in March, 1971 as director, personnel.

—M. E. Murphy held senior positions with Canadian General Electric Company Limited until October, 1969, when he was appointed director, information services with Acres Consulting Services Limited. He joined the Company in October, 1970 as director, information services.

Remuneration of Directors and Senior Officers

The amount of the aggregate direct remuneration paid or payable by the Company and its subsidiaries, whose financial statements are consolidated with those of the Company, to directors and senior officers of the Company during its last financial year ended December 31, 1972 was $877,504 and during the period January 1, 1973 to July 31, 1973 was $401,951. The amount of the aggregate direct remuneration paid or payable by subsidiaries, whose financial statements are not consolidated with those of the Company but are included in the consolidated financial statements on an equity basis, to directors and senior officers of the Company during its last financial year ended December 31, 1972 was $42,400 and during the period January 1, 1973 to July 31, 1973 was $21,233.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1972 of all pension or retirement benefits proposed to be paid to the senior officers of the Company, as a group, in the event of retirement at normal retirement age was $36,804.

In 1972, the Company instituted for senior officers an incentive bonus program. An aggregate amount of $109,200 was paid to senior officers of the Company under the program on February 28, 1973.

Management Interest

In 1970 Acres Limited ("Acres") provided and procured consulting services for the Company and its subsidiaries in connection with various matters and culminating in reports including recommendations on long term goals for the group as a whole. The Company and its subsidiaries paid consulting fees and expenses in the aggregate amount of $374,920 in connection with such services and reports. A total of $79,840 of the consulting costs referred to in this paragraph was paid to outside consultants, principally Price Waterhouse Associates in connection with a special report on the insurance subsidiaries of the Company.

Pursuant to an agreement between the Company and Acres, dated November 27, 1970 and amended on January 5, 1971, Acres and Canadian General Securities Limited ("CGS") transferred to the Company 742,842 shares of Guaranty Trust Company of Canada owned by them and in exchange therefor the Company transferred to Acres and CGS an aggregate of 1,519,943 common shares of Cadillac Development Corporation Limited ("Cadillac") and also a beneficial interest of $180,000 in a Cadillac 8½% Series A Debenture of larger denomination. By its terms the Debenture could not be split and the Company therefore agreed that by March 8, 1971 it would either arrange the amendment of the terms and then deliver to Acres and CGS $180,000 principal amount of 8½% Series A Debentures of Cadillac in definitive form or pay them $162,000 plus interest. Pursuant to such agreement as amended the Company on March 8, 1971 paid Acres and CGS an aggregate of $164,517 in full satisfaction of all its obligations and the beneficial interest of $180,000 in the Cadillac Debenture reverted to the Company. Such common shares of Cadillac were acquired in 1964 by the Company at an aggregate cost of $1,060,850. The Company is advised that the 742,842 shares of Guaranty Trust were acquired by Acres and CGS at an aggregate cost of approximately $9,500,000, including carrying charges.

Reference is made to the heading "Material Contracts" for a description of the agreement, dated April 24, 1972, entered into by Acres, CGS, Guaranty Trust and the Company with, and with respect to, MerBan Capital Corporation Limited and of the amendment thereto dated January 3, 1973.

George C. MacDonald, a director of the Company, is president and a shareholder of McLeod, Young, Weir & Company Limited (the "Underwriter"), 50 King Street West, Toronto, Ontario, and so had or has an interest in the following contracts:

(1) contract dated October 2, 1970 between the Company and the Underwriter providing for the purchase by the latter of $10,000,000 principal amount of 9¾% Debentures, due November 2, 1975, for the purchase price of $9,700,000.

(2) contract dated January 25, 1971 between the Company and the Underwriter providing for the purchase by the latter of $25,000,000 principal amount of 9% Collateral Trust Notes, Series AP, due February 15, 1991, for the purchase price of $24,375,000.

(3) contract dated May 20, 1971 between the Company and the Underwriter providing for the purchase by the latter of $10,000,000 principal amount of 9½% Debentures, due June 15, 1991, for the purchase price of $9,725,000.

(4) oral contract late in 1971 between the Company and the Underwriter pursuant to which the Company paid the Underwriter in May 1972 a commission of $52,838 equal to 1.25% of $4,227,000 principal amount of 8.80% Equipment Loan Certificates, privately placed by the Underwriter, in connection with the acquisition by the Company of Canadian railway rolling stock for lease.

(5) oral contract late in 1971 between the Company and the Underwriter pursuant to which the Company paid the Underwriter in July 1972 a commission of $87,847 equal to .75% of $11,713,000 principal amount of 8.35% Equipment Loan Certificates, placed on an agency basis by the Underwriter, in connection with the acquisition by the Company of Canadian railway rolling stock for lease.

(6) contract dated September 29, 1972 between the Company and the Underwriter providing for the purchase by the latter of $12,500,000 principal amount of 8¾% Debentures, due October 15, 1982, for the purchase price of $12,200,000.

(7) contract dated March 30, 1973 between the Company and the Underwriter providing for the purchase by the latter of $12,500,000 principal amount of 8¾% Debentures, due May 1, 1993, for the purchase price of $12,218,750.

(8) contract dated September 27, 1973 between the Company and the Underwriter providing for the purchase by the latter of $12,500,000 principal amount of 9% Debentures (this issue), due October 15, 1993, for the purchase price of $12,218,750.

The Company through agents, consisting of a selling group of which McLeod, Young, Weir & Company Limited is manager, offers on a continuing basis Short Term Notes and Medium Term Notes. The commissions paid since July 31, 1970 have not exceeded three cents per month from date of issue to maturity for each $100 principal amount.

PRINCIPAL HOLDERS OF SECURITIES

The following table sets forth the principal holders of the Class B (voting) common shares of the Company as at July 31, 1973:

Name and Address	Type of Ownership	Number of Class B Common Shares Owned	Percentage of Class
Canadian General Securities Limited 20 Victoria Street, Toronto, Ontario.	Of record, beneficially and indirectly	582,794(1)	80.9%
Acres Limited 20 Victoria Street, Toronto, Ontario.	Of record, beneficially and indirectly	84,590(1)	11.8

(1) As a result of transfer of Class B common shares to qualify individuals as directors of the Company, Canadian General Securities Limited and Acres Limited beneficially owned indirectly 5 and 10 shares, respectively.

The following table sets forth the principal holders of the Class B (voting) common shares of Canadian General Securities Limited ("CGS") as at July 31, 1973:

Name and Address	Type of Ownership	Number of Class B Common Shares Owned	Percentage of Class
Acres Limited, 20 Victoria Street, Toronto, Ontario.	Of record, beneficially and indirectly	145,975(1)	47.2%
Gormley Investments Limited, P.O. Box 32, 401 Bay Street, Toronto, Ontario.	Of record, beneficially and indirectly	80,000(1)	25.9
Greywinds Investments Limited, P.O. Box 108, Postal Station G, Toronto, Ontario.	Of record, beneficially and indirectly	80,000(1)	25.9

(1) As a result of transfer of Class B common shares to qualify individuals as directors of CGS, Acres Limited, Gormley Investments Limited and Greywinds Investments Limited beneficially owned indirectly six, one and two shares, respectively.

Gormley Investments Limited ("Gormley") is controlled by trusts established for the benefit of members of the McCutcheon family, one of whom is Mr. J. W. McCutcheon, a director of the Company. One of the Trustees of such trusts is Mr. D. A. McIntosh who is also a director of the Company. Greywinds Investments Limited ("Greywinds") is controlled by Mr. G. R. Chater, a director of the Company, and associates of his, and, by virtue of an agreement between Gormley and Greywinds, such companies are in a position to cause the election of a majority of the directors of the Company. In July 1971 Gormley and Greywinds purchased the shares indicated in the table above from Acres Limited ("Acres") and in the agreements of purchase and sale Acres, Gormley and Greywinds agreed, in effect, not to sell or dispose of any Class B common shares of CGS during the two year period ending July 9, 1973 and for the next three years thereafter Acres shall have a right of first refusal on any sale or disposition of Class B common shares by Gormley or Greywinds. Notwithstanding the foregoing restrictions, Gormley and Greywinds may from time to time sell Class B common shares to each other as long as any such sales do not result in either Gormley or Greywinds becoming the owner of more than 47% of the outstanding Class B common shares of CGS. The agreements of purchase and sale also provide that Acres shall continue to have reasonable representation on the Board of Directors of CGS.

Under an agreement dated December 31, 1971 and of indefinite duration Gormley and Greywinds have agreed to vote all their voting shares of CGS to cause the election of the majorities of the boards of directors of CGS and of all companies directly or indirectly controlled by CGS. The agreement also provides that the parties shall agree on appointments of officers of, and other corporate actions of, CGS and the companies directly or indirectly controlled by it.

In April 1972 an action was commenced in the Supreme Court of Ontario by Tucket-Little Firstbrook Limited against Acres, Gormley, Greywinds and others, asking, inter alia, for judgment cancelling the sale by Acres to Gormley and Greywinds of 160,000 Class B common shares of CGS pursuant to the agreements of purchase and sale in July 1971 described above and restitution in whole to the position with respect to such shares of CGS which

existed prior to the said sale. In the opinion of Messrs. Borden & Elliot, who are representing Acres in the action, the plaintiff cannot succeed in obtaining judgment cancelling the said sale.

As at July 31, 1973, the directors and senior officers of the Company beneficially owned, directly or indirectly, the respective percentages of classes of shares of CGS, the Company and certain of the Company's subsidiaries as set forth in the following table:

Shares of	Designation of Class of Shares	Percentage of Class
Canadian General Securities Limited	Class B common shares	—
Traders Group Limited	Class B common shares	0.4%
Traders Mortgage Company	Shares	0.6
Canadian General Insurance Company	Shares	0.4
Toronto General Insurance Company	Shares	0.7
Traders General Insurance Company	Shares	0.3
Income Disability & Reinsurance Company of Canada	Shares	0.1

The Company's parent, CGS, is a holding company whose primary source of revenue is dividends from the Company. The Company does not operate as an adjunct to the primary business of CGS or of Acres Limited ("Acres"). The results of the operations of the Company and its subsidiaries are not consolidated in the financial reports of CGS or Acres but the share of earnings applicable to the holdings of the Company's common shares are taken up by both CGS and Acres on an equity basis.

CGS or Acres may, from time to time, invest funds in Short Term Notes of the Company but otherwise the Company is not aware of any intention of CGS or Acres to make loans to it. Other than such short term investments, the Company has not borrowed from Acres or CGS and has not and does not intend to make loans to them or to any of their affiliates or associates that are not subsidiaries or associates of the Company.

DIVIDENDS

During the last five completed financial years of the Company, the following dividends per share were paid:

	1972	1971	1970	1969	1968
Class A common shares	$0.825(1)	$0.60	$0.60	$0.60	$0.60
Class B common shares	0.825(1)	0.60	0.60	0.60	0.60
4½% $100 Preferred shares	4.50	4.50	4.50	4.50	4.50
5% $40 Preferred shares	2.00	2.00	2.00	2.00	2.00
5% $30 Preferred shares, Series A	1.50	1.50	1.50	1.50	1.50
$2.16 Preferred shares, Series B (issued May 15, 1969)	2.16	2.16	2.16	0.818	—

(1) Dividends on both Class A and Class B common shares were increased from 15 cents to 17½ cents per share quarterly commencing with the quarterly payment on January 1, 1972, and an extra dividend of 10 cents per share was paid on January 1, 1972. Dividends were increased from 17½ cents to 20 cents commencing with the quarterly payment on October 1, 1972, and from 20 cents to 25 cents commencing with the quarterly payment on October 1, 1973.

MATERIAL CONTRACTS

The only contracts entered into by the Company or its subsidiaries, except for contracts entered into in the ordinary course of business, within the two years prior to the date hereof which can reasonably be regarded as presently material to the purchasers of the 9% Debentures offered by this prospectus are:

(1) An agreement made as of December 24, 1971 between the Company and Mancorp Limited pursuant to which the Company sold on that date to Mancorp Limited all of the issued and outstanding shares of Frankel Steel Construction Limited ("Frankel") for a purchase price of $2,105,000, of which $855,000 was paid in cash on closing and the unpaid balance of $1,250,000 is payable in five equal consecutive yearly instalments of $250,000 each without interest. Pursuant to the agreement Frankel paid on December 23, 1971 a dividend to the Company in the amount of $3,250,000 with the result that the total amount receivable by the Company in connection with the sale of Frankel was $5,355,000. Under the terms of a pledge agreement made as of December 24, 1971 Mancorp Limited pledged with the Company all of the purchased shares of Frankel as security for the payment of the unpaid balance of the purchase price.

(2) An agreement made April 24, 1972 between Acres, CGS, Guaranty Trust, the Company and MerBan Capital Corporation Limited ("MerBan"), MerBan being a company incorporated by Acres, CGS, Guaranty

Trust and the Company (the "Investors") for the purpose of carrying on the business of merchant financing, providing that each of the Investors would invest $1 million in MerBan. Such investment is to take the form of the purchase by each Investor of 50 units, each unit consisting of $10,000 principal amount of 6% subordinated debentures, 60 5% cumulative redeemable non-voting preference shares of the par value of $100 each and 400 common shares without par value at a price of $10 per common share. Under an amendment to the agreement dated January 3, 1973, the Company and CGS in effect agreed to purchase an additional 3 units at a total cost to each of $60,000, Acres in effect agreed to purchase an additional 4 units at a total cost of $80,000 and Guaranty Trust in effect agreed to take 10 fewer units. By February 28, 1973 the Company had taken up, and paid $1,060,000 for, all 53 units to be purchased by it under the agreement as amended and Acres, CGS and Guaranty Trust had taken up and paid for 54, 53 and 40 units, respectively. As at July 31, 1973, the percentage of common shares of MerBan owned by each Investor was: Acres—24.4%, CGS—23.8%, the Company—23.8% and Guaranty Trust—18.0%. The remaining 10% of the common shares is held by certain senior officers of MerBan including Mr. A. Sarlos who is a director of the Company.

(3) In June, 1972, the Canadian General Insurance Group made an offer to acquire all the shares and share purchase warrants of Income Disability & Reinsurance Company of Canada. As at the close of the offer 95% of such shares and 41% of such warrants had been purchased by the Canadian General Insurance Group for an aggregate purchase price of $3,322,351.

(4) An agreement made as of December 27, 1972 between the Company, a Canadian chartered bank and Aetna Factors Corporation Ltd. in which the Company agrees to sell to the Canadian chartered bank 3,000 common shares of Aetna Factors Corporation Ltd., representing 30% of the outstanding common shares, at a price of $1,200 per share. Pursuant to the agreement 1,000 shares were sold and transferred by the Company on January 1, 1973, and the agreement provides that 1,000 shares will be transferred and sold on January 1, 1974, 500 shares on January 1, 1975 and 500 shares on January 1, 1976. Upon completion of the transfers contemplated by the agreement the Company will have a 60% interest in Aetna Factors Corporation Ltd.

Copies of the said agreements together with copies of the Trust Deed and the Trust Indenture under which the Collateral Trust Notes and the Debentures of the Company, respectively, are issued, may be inspected during normal business hours at the head office of the Company during the course of distribution to the public of the securities offered hereby and for a period of 30 days thereafter.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Price Waterhouse & Co., P.O. Box 51 Toronto-Dominion Centre, Toronto, Ontario, are the auditors for the Company and all of its subsidiaries.

Richter, Usher & Vineberg, 1303 Greene Avenue, Montreal, Quebec, and Price Waterhouse & Co., P.O. Box 51, Toronto-Dominion Centre, Toronto, Ontario, are the auditors of Aetna Factors Corporation Ltd., 1500 Atwater Avenue, Montreal, Quebec.

Guaranty Trust Company of Canada, 366 Bay Street, Toronto, Ontario, and at its principal offices in the cities of Montreal, Winnipeg, Calgary and Vancouver is the transfer agent and registrar for the existing and outstanding preferred and common shares of the Company. The Bank of Montreal Trust Company, New York, N.Y., is a branch transfer agent and registrar for the Class A common shares of the Company.

The Canada Trust Company, 110 Yonge Street, Toronto, Ontario, is the trustee for the holders of all the Debentures issued by the Company. Registers for all series of the Debentures are and will be kept by the trustee at its said office and in the case of the 9¾% Debentures maturing November 2, 1975, the 9½% Debentures maturing June 15, 1991, the 8¾% Debentures maturing October 15, 1992, the 8¾% Debentures maturing May 1, 1993, and the 9% Debentures (this issue), also at its principal office in Montreal.

The Royal Trust Company, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario, is the trustee for the holders of the Collateral Trust Notes of all series presently authorized. Registers for the long term Collateral Trust Notes payable in Canadian funds are kept by the trustee at its said office and at its principal office in Montreal, and in the case of the 9% Collateral Trust Notes, Series AP, also at its principal offices in Winnipeg and Vancouver. Registers for the long term Collateral Trust Notes payable in United States funds are kept by the trustee at its principal office in Toronto and also by the Bank of Montreal Trust Company, New York, N.Y. Registers for the short and medium term Collateral Trust Notes are kept by The Royal Trust Company at its principal office in Toronto.

TRADERS GROUP LIMITED
and Finance Subsidiaries

Consolidated Balance Sheet
($000)

ASSETS

	June 30, 1973		June 30, 1972	
CASH (Note 2)		$ 11,712		$ 6,861
RECEIVABLES (Including $319,460 maturing within one year; 1972—$292,156):				
Finance				
Instalment contracts	$391,738		$330,982	
Interest bearing loans	171,333		146,708	
Lease receivables (Note 3)	43,713		33,675	
Wholesale advances	77,866		65,192	
	684,650		576,557	
Loans to associated companies	18,493		17,941	
Other receivables	3,293		3,753	
Income taxes	1,999		429	
Real property held for resale	902		1,413	
	709,337		600,093	
Less—Allowance for credit losses	13,417		10,999	
		695,920		589,094
INVESTMENTS AND ADVANCES (Note 4):				
Subsidiary companies not consolidated—				
Land Development Group—				
Investment, at equity value	3,163		2,206	
Advances	5,063		4,075	
	8,226		6,281	
Canadian General Insurance Group—				
Investment, at equity value	17,445		16,401	
Investments in associated companies—				
Guaranty Trust Company of Canada	21,749		20,334	
Other	1,090		962	
		48,510		43,978
		756,142		639,933
FIXED ASSETS, at cost less accumulated depreciation of $3,630—(1972—$3,662)		3,140		3,193
OTHER ASSETS:				
Unamortized cost of borrowed money		4,388		4,467
APPROVED ON BEHALF OF THE BOARD:				
(Signed) H. E. DYNES, *Director*				
(Signed) E. W. FLANAGAN, *Director*				
		$763,670		$647,593

The accompanying notes form an integral part of the consolidated financial statements.

TRADERS GROUP LIMITED
and Finance Subsidiaries

Consolidated Balance Sheet
($000)

LIABILITIES

	June 30, 1973		June 30, 1972	
PAYABLES:				
Accounts payable	$ 9,323		$ 6,826	
Wholesale due to manufacturers	10,983		12,913	
Interest accrued	5,755		5,256	
Dividends payable	1,227		1,078	
Dealers' balances and factoring liabilities	18,483		23,720	
		$ 45,771		$ 49,793
DEFERRED INCOME TAXES		5,737		236
UNEARNED INCOME (Note 1(d))		84,525		68,268
SECURED DEBT (Note 5):				
Due within one year—				
Short term debt—of the Company	168,683		128,187	
—of subsidiaries	3,382		3,310	
Medium and long term debt—of the Company	27,520		22,511	
—of subsidiaries	—		113	
	199,585		154,121	
Due beyond one year—of the Company	257,205		233,567	
		456,790		387,688
UNSECURED DEBT OF SUBSIDIARIES:				
Due within one year	5,402		3,895	
Due beyond one year	499		660	
		5,901		4,555
DEBENTURES OF THE COMPANY (Note 6):				
Due within one year	800		7,595	
Due beyond one year	65,748		41,362	
		66,548		48,957
MINORITY INTEREST IN CAPITAL AND SURPLUS OF SUBSIDIARIES		434		188
CAPITAL AND SURPLUS (Note 7):				
Preferred shares	14,624		15,172	
Common shares	33,401		29,865	
	48,025		45,037	
Surplus	49,939	97,964	42,871	87,908
		$763,670		$647,593

The accompanying notes form an integral part of the consolidated financial statements.

TRADERS GROUP LIMITED
and Finance Subsidiaries

Consolidated Statement of Changes in Operating Assets
($000)

	Six months ended June 30	
	Increase or (decrease)	
	1973	1972
OPERATING ASSETS:		
• Notes, mortgages and accounts receivable—		
Finance (net of unearned income and allowance for credit losses)	$48,009	$41,699
Other	(733)	(995)
	47,276	40,704
• Investments and advances—		
Investment in and advances to Land Development Group	1,126	660
Investment in Canadian General Insurance Group	958	674
Investment in associated companies—		
Guaranty Trust Company of Canada	897	927
Other	160	452
• Cash	1,243	2,238
Net increase in operating assets	$51,660	$45,655
THIS NET CHANGE IN OPERATING ASSETS WAS PROVIDED FROM THE FOLLOWING SOURCES:		
• Increase in surplus	$ 4,551	$ 2,988
• Changes in capital stock	(178)	(20)
• Changes in secured and other debt—		
Secured debt	33,580	36,730
Unsecured debt of subsidiaries	276	(1,395)
Debentures of the Company	8,545	(551)
• Changes in other liabilities—		
Payables	1,867	7,678
Deferred income taxes	2,505	—
Minority interest	253	12
	51,399	45,442
Add: Net decrease in fixed and other assets	261	213
	$51,660	$45,655

The above statement shows the changes in operating assets from the prior year end and the four major sources from which funds were generated (surplus, capital stock, debt and other liabilities).

A conventional statement of source and application of funds is not appropriate to finance companies since "working capital" for such companies includes long term receivables and long term debt as well as current items. The above statement has been designed to show comparable information appropriate to the operations of the Company's business.

TRADERS GROUP LIMITED
and Finance Subsidiaries

Notes to Consolidated Balance Sheet
as at June 30, 1973

NOTE 1: ACCOUNTING PRACTICES:

(a) Principles of Consolidation—
The financial statements included in this prospectus are a consolidation of the financial statements of Traders Group Limited, the borrowing company, and its finance subsidiaries. The investments in its insurance and land development subsidiaries are included in the consolidated balance sheet at equity value. A list of the finance subsidiaries consolidated, and of the land development and insurance subsidiaries not consolidated, is provided on page 32 of this prospectus under the heading "Subsidiary and Associated Companies".

Although fully consolidated financial statements are prepared for the shareholders, the directors and senior officers of the Company are of the opinion that consolidated financial statements of the Company and its finance subsidiaries are most appropriate for investors in its Debentures or Collateral Trust Notes.

(b) Associated Companies—
The Company and certain subsidiaries hold between 24% and 50% of the equity shares in a number of associated companies. The investments in associated companies are carried at cost plus excess of earnings over dividends received from date of acquisition. The difference between this total value and the Company's share in the equity of the associated companies, in aggregate, is shown in Note 4. Income pertaining to these investments is accounted for on an equity basis.

(c) Foreign Exchange—
Debt which is payable within one year in foreign currencies is converted to Canadian dollars, at either the exchange rate at balance sheet date or at forward contract rates. Debt due beyond one year in foreign currencies is carried at the Canadian dollars received at date of issue, and the effect of the difference between the issue rates and current exchange rates is set out in Note 4 under the heading "Capitalization".

Gains or losses arising from market exchange fluctuations are reflected in current operations, while those resulting from revaluation of foreign currencies are recorded as extraordinary items one year prior to maturity of the debt.

(d) Unearned Income—
Earned finance charges on instalment contracts are computed by the sum of digits method, except for earned finance charges on certain long term instalment contracts which have been computed on an actuarial yield basis. Unearned lease income, representing the excess of gross lease receivables over the cost of leased equipment (net of residual where applicable) is recorded upon the acquisition of a lease and taken into income over the term of the lease on an actuarial yield basis. All instalment and lease contracts are deemed to be acquired at mid-month. Unearned finance charges at June 30, 1973 were $71.6 million (1972—$57.0 million). Unearned lease income was $12.9 million (1972—$11.3 million).

(e) The companies in the group use deferred income tax accounting methods.

(f) Restatement of Comparative Consolidated Financial Statements—
As of January 1, 1971 the Company and its finance subsidiaries eliminated the allowance previously taken up on acquisition of instalment contracts. Commencing in 1970 deferred income tax accounting was adopted by the Canadian General Insurance Group; the Company's share of the net income of the Canadian General Insurance Group was accordingly restated. These changes have been reflected retroactively in the comparative figures for prior years.

NOTE 2: CASH:
Cash includes $12.5 million in balances in U.S. banks, maintained in accordance with agreements for lines of credit with these banks.

NOTE 3: LEASE RECEIVABLES:

	1973	1972
	($000)	
Aggregate rentals receivable	$ 42,995	$ 34,715
Residuals on expiry of leases		
Contractual	1,110	118
Non contractual	848	—
	44,953	34,833
Less deposits refundable on termination of leases	1,240	1,158
	$ 43,713	$ 33,675

NOTE 4: INVESTMENTS AND ADVANCES:

Investments in subsidiary companies not consolidated (Note 1(a)) are carried at cost plus excess of earnings over dividends received from date of acquisition. Details of investment in these subsidiaries, and summary financial statements, are included under the heading "Subsidiary and Associated Companies" on pages 32 and 33.

Investments in associated companies—	1973	1972
	($000)	
Guaranty Trust Company of Canada—1,846,634 shares, at cost (1972—1,814,134). Indicated market value, 1973—$22.7 million; 1972—$23.2 million	$ 19,468	$ 19,069
Accumulated excess of earnings over dividends since January 1, 1971	2,281	1,265
	$ 21,749	$ 20,334
Other at cost	$ 1,090	$ 962

As at June 30, 1973, the Company owned 41.6% of the outstanding shares of Guaranty Trust Company of Canada and accounts for earnings therefrom on an equity basis.

As at December 31, 1972 (the most recent date at which audited financial statements of associated companies were available) the aggregate excess of the carrying values of the above investments over the Company's share of the underlying book value was approximately $2.5 million.

NOTE 5: SECURED DEBT:
Details of the Collateral Trust Notes and other secured debt outstanding as at June 30, 1973 and July 31, 1973 are included under the heading "Capitalization".

NOTE 6: DEBENTURES OF THE COMPANY:
Details of Debentures outstanding as at June 30, 1973 and July 31, 1973 are included under the heading "Capitalization".

NOTE 7: CAPITAL:

	Authorized		Issued and outstanding	
	Shares	Amount ($000)	Shares	Amount ($000)
Cumulative redeemable preferred shares—				
4½% preferred shares, $100 par value	35,000	$ 3,500	35,000	$ 3,500
5% preferred shares, $40 par value	29,149	1,166	29,149	1,166
Preferred shares issuable in Series with a $30 par value	551,917	16,558		
Series A, 5% preferred shares			104,586	3,138
Less—Cancelled by purchase during 1973			4,157	125
			100,429	3,013
Series B, $2.16 preferred shares			233,411	7,002
Less—Cancelled by purchase during 1973			1,895	57
			231,516	6,945
				$14,624

The terms of issue of Series A and Series B preferred shares include provisions by which the Company is to provide (subject to certain conditions) the following purchase fund for the purchase and cancellation of these preferred shares:

	Maximum purchase price per share	Annual purchase fund ($000)
Series A	$28	$210
Series B	30	150

The Company has fulfilled its purchase fund obligations to June 30, 1973.

	Authorized	Issued and Outstanding Shares	Issued and Outstanding Amount ($000)
Common shares without nominal or par value—			
Class A	6,000,000	4,300,600	$32,917
Issued during the period			
—on exercise of 1966 warrants		305	4
—on exercise of 1969 warrants		30	—
		4,300,935	32,921
Class B	720,000	720,000	480
		5,020,935	$33,401

Class A common shares reserved for issue at June 30, 1973—

On exercise of share purchase warrants—	Expiry Date	Price	Number of Class A common shares reserved
1966 warrants issued with Series AF Collateral Trust Notes	June 15, 1976	$13	198,225
1969 warrants issued to Series B preferred shareholders in that year	October 31, 1979	13	249,695
			447,920

Income Funding Rights—
Details of Income Funding Rights outstanding are set forth under the heading "Capitalization" (Note 10).

NOTE 8: CONTINGENT LIABILITIES:

As at June 30, 1973 the Company and its subsidiaries, in the normal course of business have guaranteed letters of credit and bank lines for customers, associated companies and a land development subsidiary in the aggregate amount of $8.4 million (1972—$7.1 million).

The Company is also guarantor in the amount of $2.1 million (1972—$2.3 million) with respect to first mortgage advances by the principal lender on joint mortgages in which the Company and certain subsidiaries participate.

NOTE 9: EXTRAORDINARY ITEM:

During 1972 the company entered into an agreement to sell a 30% interest in Aetna Factors Corporation Ltd. to a Canadian chartered bank on the basis of 10% in 1973, 10% in 1974, and 5% in each of 1975 and 1976.

The initial sale of 10% was completed on January 2, 1973 and the resulting gain reflected in the results of the current period as an extraordinary item. On completion of the remaining three sales, gains of approximately the same proportional amounts are expected to be realized.

NOTE 10: EARNINGS PER SHARE:

Earnings per common share have been calculated using the monthly average of shares outstanding during the period.

	1973	1972
Monthly average of common shares outstanding during the period (000)	5,021	4,784
Earnings per common share:		
Before extraordinary item	$1.16	$0.98
After extraordinary item	$1.34	$0.98

If all the share purchase warrants referred to in Note 7 had been exercised as of the beginning of the period the proceeds would have been $5.8 million. If imputed earnings on these proceeds were calculated at the average rate of return for the period on actual outstanding equity, the dilution from actual earnings per share would have been insignificant.

TRADERS GROUP LIMITED
and Finance Subsidiaries

Consolidated Statement of Surplus

(See note 1(f) to Consolidated Balance Sheet)
($000)

	Six months ended June 30		Years ended December 31 (restated)				
	1973	1972	1972	1971	1970	1969	1968
Balance at beginning of period.....	$45,388	$39,883	$39,883	$28,343	$26,297	$23,959	$21,174
Adjustments arising during the period (see note below).....	(171)	(15)	(574)	656	125	(222)	166
	45,217	39,868	39,309	28,999	26,422	23,737	21,340
Net earnings for the period.....	7,156	5,121	10,594	15,285	5,777	6,234	5,966
Less—							
Interest on income funding rights (net of subsidiary holdings).....	1	5	8	9	9	9	9
Dividends on cumulative redeemable preferred shares—							
4½% (net of subsidiary holdings)	68	68	136	136	136	136	136
5%.....	29	29	58	58	58	58	58
5% Series A.....	77	85	167	340	450	472	490
$2.16 Series B.....	251	257	510	523	538	340	—
	426	444	879	1,066	1,191	1,015	693
Available for common shares.....	6,730	4,677	9,715	14,219	4,586	5,219	5,273
Dividends on common shares							
Class A.....	1,720	1,422	3,096	2,813	2,233	2,227	2,222
Class B.....	288	252	540	522	432	432	432
	2,008	1,674	3,636	3,335	2,665	2,659	2,654
Earnings retained during the period.	4,722	3,003	6,079	10,884	1,921	2,560	2,619
Balance at end of period.....	$49,939	$42,871	$45,388	$39,883	$28,343	$26,297	$23,959

Note:

Adjustments arising during the period—							
Gain on disposal of land and buildings of a subsidiary company.....	$ —	$ —	$ —	$ —	$ —	$ —	$ 351
Adjustments from consolidation of new subsidiaries and/or changes in holdings in other subsidiaries.....	71	5	(579)	23	(44)	3	37
Transfer from (to) contingent reserve	—	—	—	402	160	(76)	(76)
Transfer from contingent reserve of subsidiaries.....	—	—	—	347	—	—	—
Amortization of cost of issuing preferred shares net of gain on redemption	60	(20)	5	(116)	(91)	(149)	(146)
Gain on settlement of claim.....	—	—	—	—	100	—	—
Purchase of income funding rights for cancellation.....	(302)	—	—	—	—	—	—
	$ (171)	$ (15)	$ (574)	$ 656	$ 125	$ (222)	$ 166

Consolidated surplus consists principally of retained earnings and is reduced by the net excess of the purchase price of the shares held in subsidiary companies over their book value when acquired.

As a result of the redemption of preferred shares, $599,000 of the surplus at June 30, 1973 is designated as capital surplus under the Canada Corporations Act.

TRADERS GROUP LIMITED
and Finance Subsidiaries

Consolidated Statement of Earnings
($000)

	Six months Ended June 30		Years ended December 31				
	1973	1972	1972	1971	1970	1969	1968
Gross income from operations	$42,263	$36,510	$76,519	$68,669	$65,631	$59,433	$54,605
Investment income	15	2	3	43	69	81	194
Gain on sale of securities and other assets	—	142	167	—	—	—	132
	42,278	36,654	76,689	68,712	65,700	59,514	54,931
Direct operating charges—							
Interest paid on—							
Collateral trust notes—bank and short term	4,469	3,218	7,141	4,758	8,936	9,454	8,699
—medium and long term	9,345	8,485	17,232	18,177	15,043	12,352	10,818
	13,814	11,703	24,373	22,935	23,979	21,806	19,517
Debentures	2,394	1,834	3,820	3,305	2,707	2,850	3,136
	16,208	13,537	28,193	26,240	26,686	24,656	22,653
Other interest and borrowing costs	1,356	1,414	2,711	1,114	484	652	743
	17,564	14,951	30,904	27,354	27,170	25,308	23,396
Provision for credit losses	2,506	2,524	6,307	5,772	5,426	5,033	4,724
Other direct charges	1,184	794	1,938	1,859	1,605	2,102	2,307
	21,254	18,269	39,149	34,985	34,201	32,443	30,427
General and administrative expenses	13,619	11,977	24,288	20,544	18,623	17,292	16,517
Depreciation and amortization of fixed assets	161	334	521	635	866	975	778
	35,034	30,580	63,958	56,164	53,690	50,710	47,722
Earnings before taxes and minority interest	7,244	6,074	12,731	12,548	12,010	8,804	7,209
Income taxes—Current	1,226	2,985	3,233	5,546	6,459	4,690	3,821
—Deferred (Note 1(e), page 24)	2,505	—	3,003	883	(15)	13	34
	3,731	2,985	6,236	6,429	6,444	4,703	3,855
Earnings before minority interest	3,513	3,089	6,495	6,119	5,566	4,101	3,354
Minority interest in net earnings of subsidiaries	82	27	45	58	24	39	39
Net earnings of Finance Group	3,431	3,062	6,450	6,061	5,542	4,062	3,315
Share of net earnings (losses) of subsidiaries not consolidated—							
Land Development Group	855	334	843	457	376	329	303
Canadian General Insurance Group	939	650	1,201	(192)	(853)	989	1,464
Income from subsidiary sold in 1971 (Frankel Steel)	—	—	—	113	359	501	545
Income from Guaranty Trust Company of Canada (Note 4, page 24)	1,005	1,075	2,100	1,467	353	353	339
	2,799	2,059	4,144	1,845	235	2,172	2,651
Net earnings before extraordinary items	6,230	5,121	10,594	7,906	5,777	6,234	5,966
Extraordinary items—							
Capital gain on exchange of shares	—	—	—	8,424	—	—	—
Gain (loss) on sale of shares of a subsidiary (Note 9, page 25)	926	—	—	(577)	—	—	—
Foreign exchange loss net of income taxes	—	—	—	(468)	—	—	—
	926	—	—	7,379	—	—	—
Net earnings for the period after extraordinary items	$ 7,156	$ 5,121	$10,594	$15,285	$ 5,777	$ 6,234	$ 5,966

NOTES:

(i) The implementation of the changes referred to in Note 1(f) to the Consolidated Balance Sheet resulted in retroactive adjustment of the gross income and income taxes for the years 1968 to 1970. The respective net incomes on the bases previously used were — — — — $ 4,865 $ 6,561 $ 5,619

(ii) Income tax returns of the Company have been reviewed and assessed up to and including 1968 and these assessments are reflected in the provisions shown above.

Taxes on income of subsidiary companies were reduced by deduction of prior years' losses from income subject to tax in the amount of $31,000 in 1968, $97,000 in 1969.

(iii) The income from Guaranty Trust Company of Canada for 1973, 1972 and 1971 is the Company's share of the net earnings, and for 1970 and prior years is dividends received by the Company.

AUDITORS' REPORT

To the Directors of

TRADERS GROUP LIMITED:

We have examined the consolidated balance sheet of Traders Group Limited and its finance subsidiaries as at June 30, 1973, the consolidated statement of changes in operating assets for the six months then ended and the consolidated statements of earnings and surplus for the five years and six months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the Company and its finance subsidiaries as at June 30, 1973, the changes in their operating assets for the six months then ended and the results of their operations for the five years and six months then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Consolidated financial statements in which the insurance and land development subsidiaries have been consolidated, as referred to in Note 1(a) to the consolidated balance sheet, have been reported on by us as auditors of the Company.

September 27, 1973
Toronto, Ontario

(Signed) PRICE WATERHOUSE & CO.
Chartered Accountants

CAPITALIZATION

The following table sets forth in detail the capitalization of the Company and its finance subsidiaries.

DEBT OF TRADERS GROUP LIMITED

SECURED DEBT	Amount outstanding as at June 30, 1973	Amount outstanding as at July 31, 1973	Amount outstanding as at July 31, 1973 after giving effect to the sale of the 9% Debentures
Collateral Trust Notes (1)			
Bank loans			
In Canadian funds	$ 14,750,000	$ 7,000,000	
Short Term Notes			
In Canadian funds	$149,464,100	$166,627,495	$165,902,185
In United States funds, at current exchange rates	4,468,440	4,468,440	
	$153,932,540	$171,095,935	
	$168,682,540	$178,095,935	
Medium Term Notes			
Maturity Dates in			
1973	$ 14,878,700	$ 9,335,700	
1974	29,719,500	29,724,500	
1975	8,711,000	8,711,000	
1976	325,000	2,325,000	$52,475,200
1977	2,269,000	2,269,000	
1978	—	110,000	
	$ 55,903,200	$ 52,475,200	

Long Term Notes (2) Series	Maturity Dates	Maximum annual purchase fund	Amount authorized	Amount outstanding as at June 30, 1973	Amount outstanding as at July 31, 1973	Amount outstanding as at July 31, 1973 after giving effect to the sale of the 9% Debentures
8¾% AL (3)	Dec. 15, 1973	$ —	$ 7,500,000	$ 7,490,000	$ 7,421,000	
9¾% AM (3)	Dec. 15, 1974	—	7,500,000	7,500,000	7,500,000	
9½% AN (3)	May 15, 1975	—	15,000,000	15,000,000	15,000,000	
4½% S	April 1, 1976	—	10,000,000	10,000,000	10,000,000	
5⅜% V (4)	May 1, 1977	—	10,000,000 U.S.	9,533,529	9,533,529	
5¾% X	April 1, 1979	—	7,500,000	7,500,000	7,500,000	
6¾% AF	June 15, 1981	250,000	10,000,000	8,406,500	8,406,500	
5¾% Y	Sept. 15, 1981	375,000	15,000,000	12,013,500	12,013,500	
5¾% Z	April 15, 1983	250,000	10,000,000	8,906,500	8,906,500	
5¼% AA (4)	May 15, 1983	250,000 U.S.	10,000,000 U.S.	9,677,321	9,677,321	
5¾% AB	May 1, 1984	250,000	10,000,000	8,791,000	8,791,000	$210,641,420
5¾% AC	Sept. 15, 1984	375,000	15,000,000	11,984,000	11,984,000	
5¾% AD	April 15, 1985	375,000	15,000,000	12,634,000	12,634,000	
6¼% AE (4)	April 1, 1986	—	12,500,000 U.S.	13,457,226	13,457,226	
7¾% AH	Dec. 1, 1986	78,750	3,150,000	2,692,000	2,692,000	
7¼% AI (4)	July 1, 1987	—	18,000,000 U.S.	19,034,156	19,034,156	
7¾% AJ	Sept. 15, 1987	125,000	5,000,000	4,435,000	4,435,000	
8 % AK (4)	Dec. 1, 1988	—	15,450,000 U.S.	16,576,688	16,576,688	
8¾% AL (3)	Dec. 15, 1988	—	7,500,000	10,000	79,000	
9 % AP	Feb. 15, 1991	625,000	25,000,000	25,000,000	25,000,000	
		$2,703,750 Cdn.		$210,641,420	$210,641,420	
		$ 250,000 U.S.				
Other Secured Debt (5)				$ 18,180,327	$ 17,964,121	$ 17,964,121
				$453,407,487	$459,176,676	$446,982,926

OTHER DEBT

Debentures (6) Series	Maturity Date	Annual sinking fund or maximum annual purchase fund	Amount authorized	Amount outstanding as at June 30, 1973	Amount outstanding as at July 31, 1973	Amount outstanding as at July 31, 1973 after giving effect to the sale of the 9% Debentures
5¾%	Oct. 15, 1974	$ 125,000	$ 5,000,000	$ 3,250,000	$ 3,250,000	
6¾%	April 15, 1975	150,000	6,000,000	4,075,500	4,075,500	
9¾% (7)	Nov. 2, 1975	—	10,000,000	10,000,000	10,000,000	
6 %	Oct. 15, 1982	225,000	7,500,000	5,858,000	5,858,000	$ 66,548,500
6 %	Nov. 1, 1984	180,000	6,000,000	5,003,500	5,003,500	
6 %	June 1, 1985	120,000	4,000,000	3,361,500	3,361,500	
9½% (8)	June 15, 1991	—	10,000,000	10,000,000	10,000,000	
8¾% (9)	Oct. 15, 1992	—	12,500,000	12,500,000	12,500,000	
8¾%	May 1, 1993	—	12,500,000	12,500,000	12,500,000	
9% (this issue)	Oct. 15, 1993	—	12,500,000	—	—	12,500,000
		$ 800,000		$ 66,548,500	$ 66,548,500	$ 79,048,500

DEBT OF CONSOLIDATED SUBSIDIARIES			
Bank loans	$ 3,382,000	$ 2,801,000	
Other	5,900,905	3,649,000	$ 6,450,000
	$ 9,282,905	$ 6,450,000	
MINORITY INTEREST	$ 433,777	$ 433,777*	$ 433,777*

SHARE CAPITAL OF TRADERS GROUP LIMITED (10)

	Authorized		Outstanding as at June 30, 1973		Outstanding as at July 31, 1973	
CUMULATIVE REDEEMABLE PREFERRED SHARES	Shares	Amount	Shares	Amount	Shares	Amount
4½% preferred shares of $100 par value	35,000	$ 3,500,000	35,000	$ 3,500,000	35,000	$ 3,500,000
5% preferred shares of $40 par value	29,149	1,165,960	29,149	1,165,960	29,149	1,165,960
Preferred shares of $30 par value issuable in series	551,917	16,557,510				
Series A, 5% preferred shares ($10,500,000 issued)			100,429	3,012,870	99,741	2,992,230
Series B, $2.16 preferred shares ($7,500,000 issued)			231,516	6,945,480	230,236	6,907,080
				$14,624,310		$14,565,270
COMMON SHARES WITHOUT NOMINAL OR PAR VALUE						
Class A (11)	6,000,000		4,300,935	32,921,201	4,300,935	32,921,201
Class B	720,000		720,000	480,000	720,000	480,000
			5,020,935	$33,401,201	5,020,935	$33,401,201
CONSOLIDATED SURPLUS				$49,939,201		$49,939,201*
				$97,964,712		$97,905,672

*as at June 30, 1973.

NOTES:

(1) The authorized aggregate principal amount of Collateral Trust Notes which may be outstanding at any time is unlimited subject to the restrictions described under the heading "Collateral Trust Notes".

(2) Pursuant to a private placement commitment entered into in July, 1970, the Company expects to issue $15,500,000 (U.S.) aggregate principal amount of 10½% Collateral Trust Notes, Series AO, maturing twenty years after the date of delivery.

(3) The following series of Notes are exchangeable, at the option of the respective holders, only during the respective periods indicated below, for an equal aggregate principal amount of Notes of the same series maturing on the extended maturity date.

Series	Exchange Period After	Exchange Period Prior to	Extended Maturity Date
8¾% AL	June 15, 1973	December 15, 1973	December 15, 1988
9¾% AM	December 15, 1973	June 15, 1974	December 15, 1989
9½% AN	May 15, 1974	November 15, 1974	May 15, 1990

A purchase fund will apply only to the Series AL, AM and AN Notes outstanding at the end of their respective exchange periods.

(4) Debt due beyond one year in foreign currencies is carried in Canadian funds at the issue rate of exchange. The Canadian funds received at date of issue of long term notes payable other than in Canadian funds and due beyond one year, exceed the total Canadian dollar liability on such notes at current rates of exchange at June 30, 1973, indicating a contingent future foreign exchange gain of approximately $3.7 million. Foreign exchange conditions in the future could alter this position materially. $1,000,000 (U.S.) of Series AA Notes has been repaid through the operation of the purchase fund.

(5) The Company has obligations of $18,036,000 secured on assets purchased and leased to others, bearing interest rates from 8% to 9%, and payable from 1973 through 1987, and $144,327 secured on real property, bearing an interest rate of 7¾%, and payable from 1973 through 1981.

(6) There is no fixed limitation upon the aggregate principal amount of Debentures which may be issued but the issue of additional Debentures is subject to the restrictions described under the heading "Description of the 9% Debentures".

(7) The 9¾% Debentures are exchangeable at the option of the holders after November 2, 1974 and prior to May 2, 1975, for an equal aggregate principal amount of 9¾% Debentures maturing on November 2, 1980. A purchase fund applies only to the 9¾% Debentures maturing on November 2, 1980.

(8) The holder of any 9½% Debenture has the right to elect that the Company shall prepay the principal amount of such Debenture on June 15, 1976. Such election shall only be made after June 15, 1975 and prior to December 15, 1975. A purchase fund will apply only to the 9½% Debentures outstanding after June 15, 1976.

(9) The holder of any such 8¾% Debenture has the right to elect that the Company shall prepay the principal amount of such Debenture on October 15, 1982. Such election shall only be made after October 15, 1981 and prior to April 15, 1982. A purchase fund will apply only to such 8¾% Debentures outstanding after October 15, 1982.

(10) At June 30, 1973 there were issued and outstanding 1,088 Series A and 695 Series B Income Funding Rights with a total aggregate face value of $46,116. During 1973 Series A and Series B Income Funding Rights have been purchased and cancelled by the Company at an aggregate cost of $302,964. The Series A and Series B Income Funding Rights entitle the holders thereof to receive from the Company non-cumulative interest payable only out of net profits as defined in By-law Number 9 of the Company at the rate of $1 per Right per annum and are redeemable by purchase in whole or in part at not exceeding $24.50 for each Series A Right and $28.00 for each Series B Right or by call on thirty days' written notice at their respective face amounts. In the event of liquidation, dissolution or winding up of the Company or other distribution of assets by the Company for the purpose of winding up its affairs, the holders thereof are entitled to the sum of $24.50 for each Series A Right and $28.00 for each Series B Right after the payment in full of the par value of all of the 4½% cumulative redeemable preferred shares of the par value of $100 each then outstanding and in priority to all other shares in the capital stock of the Company.

(11) Reference is made to Note 7 to the Consolidated Balance Sheet for details of Class A common shares reserved for issue.

(12) The assets and earnings per Class A and Class B common shares are set forth in the following table. The pro forma figures assume the issuance of 447,920 additional Class A common shares as at June 30, 1973 upon the exercise in full of all share purchase warrants. Imputed earnings were calculated on the resulting proceeds of $5,822,960 at the average rate of return for the period on actual closing outstanding equity. Earnings per common share have been calculated using the monthly average of 5,020,859 common shares outstanding during the period.

Net assets per common share as at June 30, 1973		Earnings per common share			
		Year 1972		Six months to June 30, 1973	
Actual	Pro forma	Actual	Pro forma	Actual	Pro forma
$16.60	$16.30	$2.01	$1.98	$1.16	$1.14

SUBSIDIARY AND ASSOCIATED COMPANIES

The following table sets forth, as at June 30, 1973, the details of all investments in subsidiary companies:

	Effective % held by the Company	Total capital and surplus of subsidiary	Investment at cost	Advances from the Company
		($000)		
FINANCE GROUP:				
Trans Canada Credit Corporation Limited	100.00	$ 5,403	$ 1,010	$97,322
Traders Realty Limited	100.00	1,182	31	9,931
Traders Homeplan Limited	99.94	4,830	3,139	90,050
Subsidiaries—				
Traders Mortgage Company	99.16	889	489	105
Homeplan Realty Limited	99.94	844	3	—
Interprovincial Building Credits (1968) Ltd.	99.94	—	—	17
Aetna Factors Corporation Ltd. and subsidiaries	80.00	1,913	819	13,750
Traders Finance Corporation (1966) Limited	100.00	6	—	218
Domac Realty Limited	100.00	112	109	—
INTERNATIONAL OPERATIONS:				
Traders Finance S.A. (Luxembourg)	100.00	192	250	219
Traders Finance and Leasing B.V. (The Netherlands)	100.00	38	38	—
Trafinco Services Limited (London)	100.00	2	26	—
LAND DEVELOPMENT GROUP (not consolidated):				
Forest Glenn (Dixie) Limited	100.00	1,691	—	1,596
Subsidiary—				
Greenway Homes Ltd.	70.00	1	—	—
Traders Developments Limited	100.00	1,495	—	—
Subsidiaries—				
Traders Developments (Kitchener) Limited	100.00	458	50	—
Traders Developments (Windsor) Limited	100.00	577	—	—
Traders Developments (Oshawa) Limited	100.00	458	1	—
CANADIAN GENERAL INSURANCE GROUP (not consolidated):				
Traders General Insurance Company	99.22	3,306	1,460	—
Canadian Insurance Shares Limited	98.40	2,346	1,323	—
Subsidiaries—				
Canadian General Insurance Company	95.82	8,048	1,031	—
Toronto General Insurance Company	97.08	6,817	1,041	—
Income Disability & Reinsurance Company of Canada	93.59	3,146	3,352	—

Summary financial statements for the Land Development Group and for the Canadian General Insurance Group are shown hereunder:

LAND DEVELOPMENT GROUP

Summary of Assets and Liabilities
As at May 31
($000's)

ASSETS	1973	1972
Loans and receivables	$ 4,179	$ 1,342
Inventory of land, at development cost	7,077	8,193
Investment in associated companies and partnership	448	248
	$11,704	$ 9,783
LIABILITIES		
Bank loans	$ 235	$ 393
Accounts payable and accrued charges	957	186
Income taxes currently payable	78	—
Mortgages payable	1,448	2,643
Deferred income taxes	760	280
Traders investment at equity value	3,163	2,206
Advances from Traders and subsidiaries	5,063	4,075
	$11,704	$ 9,783

Statement of Earnings
For the Six Months Ended May 31
($000's)

	1973	1972
Land sales and other income	$ 5,264	$ 450
Income from investments in associated companies	3	245
	5,267	695
Cost of sales	3,251	268
Provision for credit losses	214	—
General and administrative expenses	93	8
	3,558	276
Earnings before income taxes	1,709	419
Income taxes—current and deferred	854	85
Net earnings	$ 855	$ 334

CANADIAN GENERAL INSURANCE GROUP

Summary of Assets and Liabilities

As at June 30

($000's)

ASSETS	1973	1972
Cash	$ 1,846	$ 1,267
Receivables:		
Agents' balances	6,409	6,408
Other	1,203	689
Investments:		
Investments having a quoted market value at cost (indicated market value 1973—$40,273, 1972—$39,118)	44,274	41,475
Inter-group investments	502	502
Mortgages	3,721	1,819
Fixed assets	2,308	2,406
	$60,263	$54,566
LIABILITIES		
Payables:		
Accounts payable	$ 1,289	$ 1,383
Claims in course of settlement	24,820	22,672
Income taxes currently payable	172	—
Deferred income taxes	1,008	121
Mortgage on fixed assets	1,018	1,112
Unearned insurance premiums	13,833	12,279
Minority interest	678	598
Traders investment in Canadian General Insurance Group at equity value	17,445	16,401
	$60,263	$54,566

Statement of Earnings

For the Six Months Ended June 30

($000's)

	1973	1972
Net premiums earned	$15,606	$13,599
Claims incurred	9,464	9,107
Gross underwriting profit	6,142	4,492
Commissions and premiums taxes	3,260	2,812
General and administrative expenses	2,699	2,585
	5,959	5,397
Net underwriting profit (loss)	183	(905)
Investment income (includes inter-company dividends of 1973—$11, 1972—$16)	1,347	1,114
Gain on sale of investments	193	602
	1,540	1,716
Earnings before income taxes	1,723	811
Income taxes—current and deferred	750	121
Net earnings before consolidating adjustments and minority interest	973	690
Consolidating adjustments and minority interest	34	40
Net earnings for Traders Group Limited	$ 939	$ 650

The Company and all of its subsidiaries have a financial year end on December 31 with the exception of the companies in the Land Development Group, Forest Glenn (Dixie) Limited, Traders Developments Limited and their subsidiaries, all of whose financial year ends are on November 30. The earlier year end is employed to ensure the availability of the financial statements of these companies in time for consolidation with the accounts of the Company, for the shareholders.

As stated under the heading "The Company", the Company owned 1,868,109 or 42.0% of the outstanding shares of Guaranty Trust Company of Canada at July 31, 1973.

The Company and its finance subsidiaries have investments in associated companies, not including Guaranty Trust Company of Canada, totalling $1,090,000 at June 30, 1973, representing a 24% to 50% holding in each associated company. As at that date the advances to associated companies amounted to $18,493,000 which were secured by the land or buildings owned by the associated companies. Since the Company does not have voting control, the operations of these companies are not consolidated with those of the Company (see Note 1(b) to the Consolidated Balance Sheet).

Reference is made to the heading "Material Contracts" for a description of the agreement, dated April 24, 1972, entered into by Acres, CGS, Guaranty Trust and the Company with, and with respect to, MerBan Capital Corporation Limited and the amendment thereto dated January 3, 1973.

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Sections 64 and 65 of The Securities Act (Ontario), sections 63 and 64 of The Securities Act (Manitoba), sections 64 and 65 of The Securities Act (Alberta) and sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) provide, in effect, that where a security is offered in the course of distribution to the public as referred to in such Acts,

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice evidencing the intention of the purchaser not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by the purchaser or his agent; and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution,

(a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities; written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice; and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the aforesaid Acts for the complete text of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Certificate of the Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act (Ontario) and the regulations thereunder, by Part VII of The Securities Act (Manitoba) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part 7 of The Securities Act (Alberta) and the regulations thereunder, by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec).

DATED: September 27, 1973

Officers

(Signed) H. E. DYNES
President

(Signed) G. C. BRAIN
Senior Vice President, Finance

On behalf of the Board

(Signed) E. W. FLANAGAN
Director

(Signed) ANDREW SARLOS
Director

Certificate of Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act (Ontario) and the regulations thereunder, by Part VII of The Securities Act (Manitoba) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part 7 of The Securities Act (Alberta) and the regulations thereunder, by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec).

DATED: September 27, 1973

MCLEOD, YOUNG, WEIR & COMPANY LIMITED
per: (Signed) DAVID W. KERR

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of McLeod, Young, Weir & Company Limited: J. S. Dinnick, G. C. MacDonald, C. P. Keeley, F. B. Farrill, R. M. Grills, W. J. Corcoran, L. E. Barlow, J. L. McLaughlin, A. T. L. Fraser and A. S. Brooke.